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Board of Regents, Murray State University

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**Minutes of the Special Meeting of the Board of Regents – Annual Advance
Murray State University
August 27, 2015**

The Murray State University (MSU) Board of Regents (BOR) met in Special Session for the Annual Advance on Thursday, August 27, 2015, at Miller Memorial Golf Course located at 2814 Pottertown Road in Murray, Kentucky.

Call to Order/Roll Call

Chair Harry Lee Waterfield II called the meeting to order at 8:07 a.m. and reported all members of the Board were present.

Also present were Robert O. Davies, President; Jill Hunt, Senior Executive Coordinator for the President, Coordinator for Board Relations and Secretary to the Board of Regents; Tim Todd, Interim Provost and Vice President for Academic Affairs; Jackie Dudley, Vice President for Finance and Administrative Services; Don Robertson, Vice President for Student Affairs; Adrienne King, Vice President for Marketing and Outreach; Bob Jackson, President, MSU Foundation and Director of Planned Giving; Allen Ward, Athletic Director; David Burdette, Interim Chief Facilities Officer; Jason Youngblood, Assistant Director for Facilities Design-Construction; Cami Duffy, Executive Director for Institutional Diversity, Equity and Access (IDEA) and Title IX Coordinator; Fred Dietz, Associate Vice President for Enrollment Management; Renee Fister, Senior Presidential Advisor for Strategic Initiatives and other members of the University staff and the news media.

Welcome and Agenda Review

Chair Waterfield welcomed everyone to the 2015 Annual Advance, in particular the two new Regents – Jerry Rhoads from Madisonville, Kentucky, and Clinton Combs who is representing the Murray State student body and is from Marshall County. All look forward to the contributions these two individuals will make to this Board.

One agenda item for discussion is regarding the roles and partnership of the Board, the President and the University and materials from the Association of Governing Boards (AGB) were provided in the eBoard book. During his five-year tenure on the Board this has represented an excellent, cooperative and free-thinking Board. Members may undertake considerations on their own but ultimately make decisions that are in the best interest of this University. Although members may not always agree, this Board is never disagreeable and that is the way a governing body should work. Governor Steve Beshear was credited for the appointments he has made to this Board because he took great care to identify individuals who understand the role of serving on a Board and want to do the right thing with no personal agenda. He is confident the Board will continue to function in this fashion. The Governor's race is approaching and the successful candidate will hopefully continue to appoint individuals like those sitting at the table today.

President Davies reported that one year ago his first Advance with this Board was held and during those discussions key issues for Murray State University were identified. A great deal of discussion occurred with regard to the type of students being admitted to the institution and whether those individuals had a high probability of success. Discussion also occurred on what it means to be student centered if the institution is admitting students who are not ready for the college environment. The topics of financing and funding challenges facing higher education at large; Title IX issues, including increased awareness and accountability measures on the federal and state levels, and how Murray State is going to respond to those various challenges were also included in this discussion. A great deal of time was spent talking about the need for a Strategic Plan to move this institution forward and guide the University over a period of time. Discussion also occurred regarding capital planning and a strong desire to ensure capital needs are meeting the University's strategic needs. Faculty and staff compensation and how to move that agenda forward has also been an important topic of conversation. Over this past year the administration has addressed, in some way, all of the issues outlined. Some of these same issues will also be discussed during the Advance today but not because they were not addressed over the course of the past year. Initiatives the University has undertaken, as well as those that will eventually be undertaken, will be shared with the Board.

Dr. Davies has been involved with seven different universities with differing Board structures and the cohesiveness of this Board is very important and very strong. During his first year as President this has enabled him to take on some difficult issues because he knew the Board had empowered him to do so and would stand behind him. The Board has often provided excellent advice and guidance that has allowed the University to tactically move forward in many areas. One key element discussed at the AGB Conference was the role of any board member being at the 30,000 feet level. There is also a common expression, “Eyes and minds in, hands out,” and that expression is important because it provides the leadership and guidance required but it also empowers the leaders of the institution to make, on a day-to-day basis, those decisions necessary to move the institution forward. It is important for all to continue to think about how the University can perform better while at the same time identifying those areas where it excels.

Dr. Davies also welcomed Regents Rhoads and Combs to the Board and introduced the following:

- Dr. Adrienne King – Vice President for Marketing and Outreach. Dr. King will officially be on campus on September 8 and appreciation was expressed for her willingness to make the trip from Idaho to be present today. It is crucial for the University to develop a strong and integrated marketing plan and he is confident Dr. King will be able to contribute significantly to that effort.
- Dr. Tim Todd – Interim Provost and Vice President for Academic Affairs. Prior to being named Interim Provost, Dr. Todd served as Dean of the *Arthur J. Bauernfeind College of Business*.
- David Burdette – Interim Chief Facilities Officer. Mr. Burdette will brief the Board later today regarding some challenges the University is currently addressing.
- Chad Lampe – Interim Station Manager for WKMS-FM. Mr. Lampe’s appointment is effective September 1, 2015.
- Eddie Sheridan – Reporter from the Murray Ledger and Times.

For the benefit of the two new Regents, Chair Waterfield introduced each Board member and indicated one of the reasons this Board functions so well is due to transparency and openness on the part of the President. When issues arise Dr. Davies contacts him to make sure he is aware of the situation and, if it is something all Regents need to know, the information is then shared with the entire Board. Dr. Davies has been very open throughout this past year and it has been enlightening to know what actually occurs on a college campus. In essence, Dr. Davies is running a city. The line of communication has been very good and this is essential for a successful relationship between the President and the Board.

AGENDA

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| <u>Roll Call</u> | Jill Hunt |
| <u>Welcome and Agenda Review</u> | Harry Lee Waterfield II |
| <u>The Roles and Partnership of the Board, the President and the University – What Makes an “Effective Board”</u> | Harry Lee Waterfield II/ Robert O. Davies |
| <ul style="list-style-type: none"> a. Board Self-Evaluation b. Expectations of Board Members and President (Refer to Resource Materials) c. BOR Organizational Structure <ul style="list-style-type: none"> - Assessment of Consolidation of Quarterly and Committee Meetings - Committee Restructuring d. Delegation of Authority Review | |
| <u>Topics of Importance for the University</u> | Robert O. Davies |
| <ul style="list-style-type: none"> a. New Freshmen Admission Standards b. Tuition Model Restructuring c. Health Insurance Plan Redesign d. KTRS/KERS Liability e. Risk Management Process <ul style="list-style-type: none"> - Risk Management Council f. Title IX Progress Update <ul style="list-style-type: none"> - Janet Judge (September 28-29, 2015) - LiveSafe App g. Facilities Management Update | |

- Deferred Maintenance Challenges
- h. Performance Funding – CPE Proposal
- i. Salary/Compensation – Faculty, Staff and Minimum Wage

Annual Goals (Outcomes) and Work Plan for the Board and University

Harry Lee Waterfield II/
Robert O. Davies

- a. Establish Board/Presidential Planning Priorities
 - President’s Work Plan for Strategic Priorities
- b. Strategic Planning Update
 - Strategic Plan
 - Thoughts for Strategic Plan Implementation – Strategy Team
 - Implementation Matrix
- c. Economic Impact Study
- d. Economic Development Report
- e. Staffing Update
 - Provost and Vice President for Academic Affairs
 - Vice President for Marketing and Outreach – Introduction of Dr. Adrienne King
 - Dean – College of Humanities and Fine Arts
 - Other

Specific Departmental/Unit Reports

- | | | |
|----|---|------------------------------------|
| a. | New Student Freshman Profile | Kelley Wezner |
| | - Executive Summary | |
| | - PowerPoint Presentation | |
| b. | Council on Postsecondary Education Metrics Report | Robert O. Davies/ Kelley Wezner |
| c. | Academic Affairs College Updates | Tim Todd |

2015-16 Association of Governing Boards (AGB) *Statement of Conflict of Interest* – Pledge

Harry Lee Waterfield II

Resource Materials

- a. Association of Governing Boards (AGB) “Effective Governing Boards” (provided to the Board at the August 2014 Retreat)
- b. AGB “Consequential Boards – Adding Value Where It Matters Most”
- c. AGB Conference on Trusteeship (April 17-19, 2016 – Washington, DC)
- d. Governor’s Conference on Higher Education Trusteeship (September 28-29, 2015 – Lexington, KY)

Final Thoughts/Other Business/Adjournment

Harry Lee Waterfield II

The Roles and Partnership of the Board, the President and the University – What Makes an “Effective Board”

Board Self-Evaluation

Dr. Davies indicated that at this meeting last year the Regents undertook a verbal self-evaluation and he believes it is important for the Board to again undertake this type of exercise. An AGB publication – *Consequential Boards: Adding Value Where It Matters Most* – was included in the eBoard book and can provide guidance for this process. A second component of this work would be to undertake a “formal” self-evaluation and AGB can also provide information on various survey instruments which could be utilized for this purpose.

Dr. Davies asked whether he is communicating adequately and in a timely manner with all Board members to keep them informed and attuned to situations occurring on campus. As an example, the area experienced an interesting weather pattern this past winter and he communicated that information to the Board. At the time, one Regent asked why Dr. Davies was informing the Board about the weather and the response was it is because of past history with regard to the 5 Minute Response (5MR) Agreement. When weather closings actually occurred this past winter, a great deal more communication was provided on a daily basis to keep the Board informed and

this may constitute too much information. The changing environment for higher education is also placing new emphasis on governing boards to have high-level strategic discussions. Dr. Davies asked whether the right discussions are occurring at the Quarterly Board meetings and Committee meetings. Part of this work is determining whether the Board has the appropriate committees in place or if some adjustments are needed. All should consider whether the administration and the Board are tackling the issues which need to be addressed to ensure those are discussed at the appropriate level.

Chair Waterfield indicated that at the end of this year an evaluation of the President will be undertaken by this Board. The Board should also evaluate itself, as well as individual members, to determine the appropriate work to be undertaken and whether that is being accomplished effectively. Agreement was reached that communication lines between the Board and the President are sufficient. Dr. Davies asked whether the issues the Board wants to address are being addressed at the appropriate level. A balance must be reached so the Board is not overwhelmed with information but will still be involved and informed by having the appropriate discussions.

Regent comments included:

- It would be helpful for the Board to review its duties and responsibilities, certainly fiduciary responsibilities, because those often affect the fiscal and financial stability of a university. The Board must be informed in this arena and Regents are receiving the necessary information to meet this obligation. A good starting point would be to determine the duties and responsibilities of the Board and work from there.
- The AGB supplemental materials indicate that a governing board needs to look at more high-brow items but also does not need to let the little things go. The Board can talk about the big picture but should also keep an eye on routine matters and this represents a balancing act. The Board approved the Strategic Plan and that is the direction in which the administration is moving. The Board can offer advice as necessary as the administration undertakes this work.
- A determination can also be made whether the Board is currently structured in such a way that will allow this body to meet its duties and responsibilities. Regents are also advocates for the University and their role certainly includes policy and Strategic Plan oversight, in addition to advocacy. In order to fulfill this advocacy role it is important for the Board to have a good understanding of what is happening at the University so Regents can be good advocates within the various communities for Murray State. Some boards are being criticized for not being aware of the actions of a university even though that is one of their responsibilities. It is important for this Board to examine its duties and responsibilities to ensure it is fulfilling the role members have accepted.
- Agreement was reached that President Davies does an excellent job keeping members informed and the information provided is appropriate.
- Agreement was reached that Board self-evaluation would represent a worthwhile exercise. Building on previous conversations, there is an opportunity for the Board to compare itself against the baseline in terms of its fiduciary responsibilities. The Board could also compare itself against best practices. There may be resources within the University which could assist the Board in developing the appropriate tools for self-evaluation, such as the Nonprofit Leadership Program, which could help the Board conduct an appropriate self-evaluation measured against its baseline duties and responsibilities, as well as best practices.

Agreement was reached that a statement of the duties and responsibilities of the Board of Regents needs to be developed and should include fiduciary oversight and advocacy. The President and staff, in conjunction with Regents Guess and Williams, will undertake work to develop such a statement, utilizing resources provided by AGB and other sources, for Board review and eventual approval. Dr. Thornton indicated it would be helpful to have a discussion at least once per year regarding the key risk areas for the University. Risk management is good oversight for the Board to undertake and Regents should be aware of issues which could place the University at risk. The information provided could include not only imminent risks but also those risks the University could be facing in the near future. Dr. Davies confirmed that later during the Advance discussion will occur regarding enterprise risk management but two continual risk elements facing the University are enrollment and the Council on Postsecondary Education (CPE) and their work. Chair Waterfield suggested that a list of risk management elements be developed and included on each Board meeting agenda. If a particular item is more heightened at any given time it could be discussed in greater detail. This list may change every quarter but the document could be kept up-to-date and will remind the Board about risks to the University.

Agreement was reached that at the December Quarterly Meeting the administration will present to the Board a risk indicator list, in priority order, and this will become an ongoing agenda item. In addition, the President will comment on a particular item if its importance warrants that discussion. Dr. Davies confirmed the key risk management issues listing would be developed and for every meeting there will be mention, or even discussion, of various aspects of the risk items. One such item that keeps him up at night is the safety of faculty, staff, students and visitors and whether Murray State overall is a safe campus. This will always be a high priority for the University but at certain times will become an even higher priority. Proceeding in this fashion will also help guide the President in communications with the Board on specific instances as they arise on campus.

Current BOR Organizational Structure

Dr. Davies indicated at this meeting last year the decision was made to change how the Board meetings had been structured to now have the committees meet within the full Board meeting. Chair Waterfield clarified that under the former structure during the morning session Board committees would meet but all Regents were present to listen to the discussion even if they were not a member of a particular committee. The committees would then take any necessary action. After lunch the full Board meeting would convene and committee reports would be given on what occurred during the morning session. The Committee Chair would then advance any action requiring approval to the entire Board for consideration. Last year at this meeting Regent Guess suggested this work be undertaken at the same time, meaning a committee would meet to take any necessary action and the agenda item would then – at that time – be advanced to the full Board for action. Agreement was reached that all are pleased this is how the Board meetings are now being conducted.

Dr. Davies believes the issues brought before the Board over the past year have been strategic, of critical importance and at the highest level. With the new structure he also thought the Board meetings would be shorter but given issues which have been addressed – academic program changes, the Strategic Plan, Campus Tobacco Policy and pricing – these discussions have been at that higher level. Currently the administration is working on implementing additional procedures to address current situations but will eventually move to different issues facing the institution.

Chair Waterfield is making an effort to conduct the meetings in a way that enables the Board to give careful consideration to all agenda items, especially those requiring thoughtful deliberation, while also moving the meetings along. Agreement was reached that all Board members are satisfied to continue with the current structure in terms of how the meetings are conducted.

Committee Restructuring

Discussion occurred with regard to changing the current Board committee structure to bring it in line with the University's Strategic Plan. All agreed action could be taken at tomorrow's Quarterly Meeting on the following proposed changes:

- Academic Affairs Committee – change the name to the Academic Affairs and Scholarly Activities Committee – Dr. Davies indicated a key component of the Strategic Plan is scholarly activities and it is important to highlight this as one of the University's strategic objectives. The staff liaison for this committee will be Interim Provost Tim Todd.
- Audit Committee – no change – the staff liaisons for this committee will be Jackie Dudley and President Davies. Clarification was provided that the reason Dr. Davies name is included is due to the AGB-identified fiduciary responsibility for the President.
- Buildings and Grounds Committee – no change – the staff liaison will be Jackie Dudley.
- Enrollment Management and Student Success Committee – no change – the staff liaisons will be Don Robertson and Fred Dietz.
- Finance Committee – no change – the staff liaison will be Jackie Dudley.
- Institutional Advancement Committee – change the name to Marketing and Community Engagement Committee – the staff liaison will be Adrienne King.
- Regional Services Committee – discontinued – roles and responsibilities associated with academic programs will now be addressed by the Academic Affairs and Scholarly Activities Committee and community projects will be addressed by the Marketing and Community Engagement Committee.

- Legislative and Economic Development Committee – new committee – the staff liaisons will be Jordan Smith, Director for Governmental Relations, for legislative matters and Interim Provost Todd for economic development issues.

Chair Waterfield asked Board members to send him or Ms. Hunt the names of three or four committees they would like to serve on, in order of preference. He will make committee assignments shortly and appoint the chairs of those committees as soon as possible. Dr. Thornton suggested consideration be given to “pre-reads” committee members may need – prior to a Board meeting – in order to be able to move forward on a particular topic. What has just been discussed in terms of committee restructuring represents an excellent example of a proposal which could have been provided to the Board to think about prior to today’s meeting. Chair Waterfield apologized for not forwarding the suggested changes to the entire Board when he received them from the President. An outline of the proposed changes will be provided to the Board before the end of today to allow for review prior to tomorrow’s meeting.

Delegation of Authority

Mr. Waterfield reported that the President and Ms. Dudley communicate on a regular basis regarding any project that falls within the Delegation of Authority which requires his approval as Board Chair. Ms. Dudley indicated when the Board approved the Delegation of Authority all agreed the document would be used for a period of time and, if necessary, revisited so necessary changes could be made. She will address those items within the Delegation document which have generated the most discussion and could be considered to be somewhat “in the weeds” to determine whether that is where the Board wants to be. The current Delegation of Authority document was provided in the eBoard books. Item #11 relates to new employment contracts and that area is not the issue because new and multi-year contracts are currently subject to Board approval. This item also refers to Personal Services Contracts (PSC) totaling more than \$10,000 requiring Board approval and that has presented some challenges for the administration in terms of hiring search firms, architects and benefit consultants, as well as in other areas. Many of these contracts exceed \$10,000 but are simply operational in nature. A point to consider is that Personal Services Contracts exceeding \$10,000 must go to the state – through the Legislative Research Commission (LRC) – and this represents a statutory requirement. The Board should have some comfort level knowing the administration cannot make these decisions alone because such contracts must also be approved by the LRC. Chair Waterfield indicated the discussion which occurred last year in regard to this Delegation item was that Personal Services Contracts in Kentucky have somewhat of a bad reputation and at the time consideration was given to increasing the amount to \$25,000 – although the Board elected to keep the amount at \$10,000. Ms. Dudley confirmed that the state LRC meets on the second Tuesday of every month but the University must forward any information requiring approval by the end of the prior month in order for it to even be considered. If this occurs between Board meetings, the University may not be able to move forward because it cannot send a PSC to the state if the Board has not acted on it and it is possible the administration might have to wait up to three months for Board approval. Ms. Dudley confirmed that due to the volume of activity the administration tries to plan ahead but if a particular item is not on the prior listing approved by the Board all currently feel Board approval must be secured before moving forward.

In response to a question regarding why this particular component was included in the Delegation of Authority document, Chair Waterfield indicated this was largely driven by former Chair Constantine Curris because it pertains to the history of Personal Services Contracts in Kentucky. Mrs. Sewell confirmed Dr. Curris desired to make things more open for the Regents in their role as public servants. In keeping with that thought, and at the same time dealing with business, she asked whether it would be prudent for the Board to be provided with information on any items over \$10,000. If there is a question about any particular item then that could be addressed at that time. Ms. Dudley confirmed a report listing such contracts and their status is provided to the Board through the quarterly reports provided to the Finance Committee but it would perhaps be helpful for more focus to be placed on those reports. Mr. Williams indicated the premise of this delegation item was that if the project was important enough for the state to have to sign off on it then the Board of Regents should also be aware of and sign off on it. To keep the process moving along and not have the Board be a hindrance, notification of projects being submitted to the state for approval could be provided and if an individual Regent has a reason for pulling a particular project off of the list to be discussed at the next Quarterly Meeting they could indicate such at that time. In response to a question regarding whether the Delegation

of Authority has created any impediments or unnecessary delays in getting these contracts processed through the state, Ms. Dudley confirmed the administration has held back on sending such contracts to the LRC which does delay the University moving forward on some contracts. The most recent example is the hiring of a search firm for the Police Chief position. In determining which contracts require Board approval, consideration has been given to increasing the threshold to anywhere between \$25,000 and \$100,000. This would not change what still has to go through the LRC and notification of what goes to the state would remain at \$10,000. Mr. Williams added that if a project requires state approval it is important for there to be a process in place where the project has received some review or approval by the Board. This particular item in the delegation document arose from the fact that there have been instances with other universities where the state took issue with a certain project being proposed, which did cause controversy, and the local Board knew nothing about the project.

Discussion occurred in regard to Personal Services Contracts and the Board being required to approve all contracts totaling more than \$50,000 (increased from \$10,000). On a schedule to be determined, the President will provide an informational email to the entire Board to simply make members aware of any projects being submitted to the state that fall below the \$50,000 threshold. At that time if a Board member has any objection to a particular project being advanced they will email the President or Ms. Dudley, within three days, asking for additional information or that the item be held for discussion at a future Quarterly Meeting. If Board members do not have any issue with the projects being submitted to the state no response is necessary. It was emphasized the Board would not be approving any particular project, but simply indicating whether a project should be held for further discussion. The President or Ms. Dudley could then talk with the Board Chair or the Finance Committee Chair about whether the project should move forward or be held. As this process unfolds over the next six months, if it is determined that it is not working changes can be made by the Board at any time.

Ms. Dudley reported that in regard to Delegation of Authority Item #13 reference is made to the Board approving any “program statement” that may be prepared for a capital construction project requiring approval by the Kentucky General Assembly prior to implementation of the program statement. These are capital projects which total over \$600,000. The Board has always approved such program statements even before implementation of the Delegation of Authority and will continue to do so for capital projects. The second part of Item #13 refers to approval of major renovations, including those in executive offices, the President’s residence and other similar projects. The administration is struggling with what major renovation means. She would recommend the Board add a dollar amount and approve major renovations of those executive offices exceeding \$25,000. This would keep the Board from having to approve a \$10,000 carpet replacement project and the administration would not be required to provide program statements for projects under \$600,000.

Delegation of Authority Item #20 requires approval of capital projects, as defined by Kentucky statute and which require approval by the Kentucky General Assembly, prior to the commitment of funds. Before moving forward, projects less than the threshold denoted by statute should be reviewed by the Board Chair and the President and a determination made in terms of those projects requiring further Board approval. This statement is very broad and, prior to moving forward, projects that do not meet the \$600,000 level are taken to the Board Chair for approval. This could represent a \$300,000 deferred maintenance project or a \$3,000 tile replacement. The current levels are difficult to manage and preparing schedules to provide to the Board for window or sidewalk replacements or new carpet is difficult. Ms. Dudley agreed to prepare a document which shows the suggested changes for consideration at the Quarterly Meeting tomorrow. Confirmation was provided that projects meeting the statutory level of \$600,000 have always required Board approval and this will not change. Dr. Davies clarified that Ms. Dudley would be delegated authority to undertake projects which fall within a range the Board is comfortable approving, with an acknowledgement by the President for projects at that level.

All agreed action could be taken at tomorrow’s Quarterly Meeting on the following changes to the Delegation of Authority document:

1. Item #11 – Current Statement – Approve new employment contracts made outside of the regular budget cycle and approve all Personal Services Contracts totaling more than \$25,000.

Amended Statement – Approve new employment contracts made outside of the regular budget cycle and approve all Personal Services Contracts totaling more than \$50,000. In addition, the Board will be notified of all Personal Services Contracts between \$10,000 and \$50,000 before they are submitted to the Legislative Research Commission. Upon review, individual Board members may request, if necessary, for any of these to be held for approval at the next Board meeting.

2. Item #13 – Current Statement – Approve any “program statement” that may be prepared for a capital construction project requiring approval by the Kentucky General Assembly prior to implementation of the program statement. The Board will also approve major renovations, including those to executive offices, the Presidential residence and other similar projects.

Amended Statement – Approve any “program statement” that may be prepared for a capital construction project requiring approval by the Kentucky General Assembly prior to implementation of the program statement. The Board will also approve major renovations of executive offices, the Presidential residence and other similar projects which will exceed \$25,000.

3. Item #20 – Current Statement – Approve capital projects, as defined by Kentucky statutes and which require approval by the Kentucky General Assembly, prior to the commitment of funds. Prior to moving forward, projects less than the threshold denoted by Kentucky statute should be reviewed by the Board Chair and the President and a determination made in terms of those projects requiring further Board approval.

Amended Statement – Approve capital projects, as defined by Kentucky statutes and which require approval by the Kentucky General Assembly, prior to the commitment of funds. Prior to moving forward, all projects costing over \$200,000 and up to the threshold denoted by Kentucky statute should be reviewed by the Board Chair and the President and a determination made in terms of those projects requiring further Board approval.

Adjournment

The Board adjourned for a break beginning at 9:39 a.m.

Reconvene

Chair Waterfield reconvened the Board of Regents Annual Advance at 9:50 a.m.

Topics of Importance for the University

New Freshmen Admissions Standards

Dr. Davies reported that this past May the University had its largest graduating class which followed the second largest graduation class from May 2014. For this next year there are fewer high school seniors and with the economy improving an increasing number of students are making the decision to work and potentially forego college altogether. Universities will experience a phase where enrollment numbers will decline and this is true at Murray State with freshman numbers being down from the previous year. Total enrollment fluctuates daily but currently enrollment is down. When numbers are finalized it is believed the University’s total enrollment will be down 2 to 2.5 percent. The institution is entering a new phase and as consideration is given to new admission standards, recruitment and retention, the University must be aggressive and niche oriented. If the institution is in a declining market it needs to expand its market and build the market share. What is being discussed today is developing the important value added component that is reflected in the University’s admission standards. Also critical are the tuition and scholarship modeling components. The University is taking a very proactive role with regard to merit and various other initiatives of this nature. Coincidentally, Western Kentucky University yesterday announced its new scholarship apparatus. Copying is the best form of flattery and that institution copied what Murray State has done.

The University is not changing its philosophy but will be undertaking a very different emphasis and making significant changes. Murray State is moving from a flat dollar amount for scholarships to a percentage of tuition. This is crucial because with the flat dollar amount as tuition is increased a student's scholarship becomes less and less valuable. Using a percentage of tuition is more financially burdensome on the University but Ms. Dudley has determined how to finance the initiative which holds students harmless and is more beneficial. Also, scholarships are being developed for individuals who come to the institution and do not receive an academic scholarship. If these individuals prove they can be successful at Murray State they will be provided with an opportunity to receive a scholarship. This represents a new initiative for the institution. Enrollment is declining and the University must be much more specific, aggressive and innovative in pursuing students. In response to a question regarding whether the state will recognize the declining enrollments and provide the universities with financial incentives, Dr. Davies reported that in later discussions about performance funding he will talk about where the Commonwealth is moving within that area but the current state appropriation for each of the institutions basically represents a fixed amount.

Mr. Dietz reported that last year the Board approved changes to the freshmen admission requirements and work is currently underway to implement these new requirements for freshmen applying and entering in Fall 2016. The feedback the University is receiving from counselors is positive and they are excited Murray State has increased admission requirements, making the institution even more competitive. The University is receiving a lot of support and no push back on the changes being made to the admission requirements. Next week a meeting will be held with the West Kentucky Counselors Association to have more in-depth discussions regarding the changes and the University's website has been updated to reflect the new standards. The changes to the admission requirements were made in an effort to not do a disservice to those students who would not be successful at Murray State. The changes being made took about a year to develop and represent data-driven decisions. A review of students who are successful, as well as those who are not, was undertaken which helped drive the changes in the admission requirements moving forward. Faculty and staff agree with the high school admission counselors that this change was overdue. Dr. Davies has received one negative comment from a 4th grade teacher which was not based on the changing admission requirements but the fact the University used ACT scores at all. Mr. Dietz confirmed eliminating the ACT score criteria has been discussed but it is currently a state mandate that the University use this measure.

Tuition Model

Mr. Dietz reported the following:

- Work has been underway on a daily basis over the past six months with Ms. Dudley and she has been tremendous in trying to outline an effective and sustainable tuition model. Many others on campus have also assisted in this work, particularly with the scholarship model moving into Fall 2016.
- Maguire Associates undertook research for the institution and studied the current tuition model which was very complex. They looked at Murray State's tuition in relation to other institutions in the state and determined the University has one of the lowest priced tuition models. Over the past several years Murray State has built its identity on affordability and that is where a change is needed.
- The methodology in terms of how these changes came about relate to the tuition study undertaken by Maguire Associates which reviewed tuition and prices within the market for approximately a dozen institutions. There was a very good sample of students surveyed which provided information on the likelihood of attending Murray State based on price and the results revealed some elasticity in pricing moving forward. All are cognizant about making any drastic changes to tuition and the impact that would have on the market. There was no desire to make aggressive changes which the University could not handle in light of declining enrollment. There was a desire to identify additional dollars to leverage scholarships to attract more students and help fund the scholarship model being proposed.
- Recommendations resulting from this work included adopting a flat tuition rate where currently each state has its own regional rate. Recognizing that the University had a complex pricing structure, an effort was made to simplify and streamline the model so students and parents are better able to understand it. This would also allow for the process to be more easily administered by the institution.
- Elasticity means the University has room to increase tuition costs, potentially without negatively impacting enrollment. One of the things the work group took to heart and adopted was a more aggressive scholarship model. Mrs. Guess asked at an earlier meeting whether this plan would be bold and confirmation was provided that it will be ambitious. There is always risk involved when making changes but it is believed the risk is tolerable and can be mitigated moving forward.
- One requirement which is part of the scholarship model being presented is having both current and future students complete and file the Free Application for Federal Student Aid (FAFSA) which is how students receive funding for Pell Grants, SEOG, student loans, Federal Work Study and other federal funding. Having all students applying to Murray State complete the FAFSA represents a shift for the

University but will help the institution leverage as much aid as possible. Federal aid will be used in combination with other aid sources on campus, including departmental and institutional aid. The University has reached the point where it must begin to combine sources of funding but students must first help themselves – which is accomplished by filing the FAFSA. Also being considered is the stacking of aid awards and how those are applied to a student's account which could provide some institutional savings.

- The proposed first-time freshmen Academic Achievement Scholarship Model grid was provided in the eBoard books and represents a percentage of tuition, not a fixed dollar amount. Under the current model when tuition increases a student's scholarship does not increase. This new model will help with any future tuition increases and ranges from 20 percent to 100 percent of tuition. This model is based on ACT score and grade point average (GPA) which determine the percentage of scholarship a student will receive, rewards merit and helps strong, high-achieving students. The component of an additional stipend was added to the model for the Trustee, Regents and Provost Scholarships and can be used toward a meal plan or housing. For a Trustee or Regents scholarship the stipend amount is \$1,500 and for a Provost scholarship the amount is \$1,000. All are excited about this new scholarship model and believe students will see Murray State as much more competitive in the market.
- The model is more costly but Ms. Dudley has identified a way to provide the necessary funding to make it work. The new model is being implemented for students entering in Fall 2016 and current students will keep the same model they have now. This proposed new model will also guard against any inflationary tuition rate increases because it is based on a percentage of tuition.
- Two additional scholarships are also being offered. One is the academic excellence scholarship which represents a retention initiative. There are students entering the institution who are not scholarship eligible. If those students perform well their first year the institution wants to be able to reward them for their hard work and provide an additional incentive for these students moving into the sophomore year. A new scholarship is the National Merit Scholarship and National Merit finalists will be offered full tuition, room and board which will enable the University to be competitive with other institutions. This represents a major shift which should be extremely beneficial in allowing the University to specifically recruit these students.
- As stated earlier, students will be required to complete the FAFSA in order to receive a discount or scholarship. Students may not be eligible for any federal aid but the FAFSA must be completed before they will be considered for institutional aid. FAFSA determines a family's financial need and is based on family/student income and assets. Pell Grant-eligible students from Kentucky may be eligible for the state CAP grant. Once filed, the FAFSA determines the expected family contribution (EFC) which ranges from \$0 to \$999,999. EFCs from \$0 to \$5,775 are typically eligible for grant aid.

In considering which university to attend, Dr. Jacobs indicated some parents recognize their student would likely not receive any award beyond a scholarship due to their financial standing. He asked whether the University will possibly lose some students and parents who are considering other institutions because scholarship dollars, and not financial aid, is the issue. Mr. Dietz indicated this is possible but the scholarship model is going down to the 3.0 GPA range whereas in the past it was at the 3.4 level. When a student applies for admission that is also their application for the new scholarship grid. If students are applying for Foundation scholarships there is a separate application for that process. Confirmation was provided that the FAFSA application could be considered to be complicated to complete. Dr. Jacobs clarified, from a parent's perspective, they could be hesitant to complete a complicated FAFSA form because they know federal aid will not be applicable to their child. If other universities have a different pliability he wonders if mandating the FAFSA for any scholarship aid might be a poor approach. Dr. Davies indicated to his knowledge most universities require any student receiving financial aid from an institution to first complete the FAFSA and Murray State is currently an outlier in this regard. Confirmation was provided that students (and families) only fill out the form once but could apply to many different institutions. Mr. Dietz reported that currently a fairly large percentage of Murray State students are already completing the FAFSA (75 percent) so requiring students to fill out the form should not represent a huge cultural shift. Confirmation was provided that monies are available through completing the FAFSA which are not currently being captured by students who do not fill out the form. Ms. Dudley added that the CPE is considering requiring completion of the FAFSA from a statewide perspective as part of their strategic agenda so all of the state schools may need to be moving in this direction as well.

Mrs. Guess inquired as to which part of the government is checking on the validity of information supplied by students and parents on the FAFSA. Mr. Dietz confirmed there are checks and balances in place based on the parents' income tax filing but if parents are divorced then students can choose which parent is more beneficial from a financial standpoint and the likelihood of receiving aid. The Enrollment Management area offers a great deal of education in schools throughout the 18-county service region through financial aid workshops. Ms. Dudley added there is a verification process in place that the University outsources.

Stacking of resources relates to how aid is applied to a student's account and this will be implemented beginning in Fall 2016. Currently University aid is applied first, followed by PELL and CAP monies, KEES scholarship and then Foundation and external scholarship dollars. A proposal is being advanced to change the method used for applying aid where PELL and CAP monies are applied first, followed by external scholarships, the KEES scholarship and Foundation scholarships with University aid being applied last. Confirmation was provided that currently some students do receive an advantage with the KEES scholarship because sometimes they receive some refund monies to use for other expenses. With the structure change being proposed, students will receive the same award but it will now be applied toward direct costs and their refund may not be as large. Ms. Dudley indicated the cost of attendance is being taken into consideration and there are many factors which may not appear on a student's account, such as travel or upgrading a computer. These represent allowable expenses students can utilize a refund for but it is also clear there is not an unlimited number of resources and an effort is being made to take advantage of available federal and state monies to reduce the University's burden. Confirmation was provided that it is believed students will still be in a pretty good place financially under this new model and funding will be available for an even larger number of students.

Mr. Dietz indicated that under this new model any increase in tuition does not necessarily equate to a decrease in applications or enrollment. Information provided by the National Center for Educational Statistics indicates the University of Kentucky over the last six years (2007-13) has had some of the largest tuition increases but also some of the largest gains in applications and enrollment. One of Murray State's regional competitors – Southeast Missouri State University – limited tuition increases but experienced very marginal increases in applications and enrollment. An increase in tuition rates regionally cannot always be tied to a negative impact on enrollment and applications. As regional tuition rates are considered this is certainly one factor that should be taken into consideration.

Ms. Dudley reported that a proposed tuition rate schedule was provided in the eBoard books. All should be aware the CPE will still have to approve the rates being proposed and the new tuition model. Numbers have been based on a 5 percent tuition rate increase but this issue will not be considered by the CPE until April or May of next year. Current tuition rates at Murray State are capped at 12 hours so a student taking 12 hours pays \$3,804. If these students take 15 hours they still pay the same amount and the University currently does not bill for any hours over 12 unless the student is taking a web class. Web classes are currently billed per hour. If a student takes 12 hours of face-to-face classes they will pay \$3,804 and if they take a web class they will pay for those three extra hours at 130 percent of the resident tuition rate. The proposed uncapped rate is \$3,996 (5 percent increase) for up to 12 hours for regional students using their current net. An Alabama student is currently paying net tuition of \$4,602 with their regional discount. It is being proposed to increase the regional tuition discount for these students by 5 percent (plus \$500) but still staying with a regional discount model. Also being proposed is for the University to start charging for all hours over 12 at a discounted rate. The rates presented do not represent the discounted rates but are the hourly rates (tuition rate divided by 12). One of the factors involved with the new scholarship model is moving to an hourly rate. Maguire Associates proposed rates the University should use. State rates were in line with what is being proposed but regional rates were much higher. The University is not willing to make this large of a jump at this point and will wait to see how the new tuition model performs and potentially migrate the rate recommendation from Maguire Associates as this work advances.

Confirmation was provided that students will pay one tuition rate up to 12 hours but if they are taking 15 hours they would be billed for the additional three hours but at a discounted rate (unless taking a web class). Mr. Combs indicated the issue he has with this proposal is that the Kentucky slogan is "Fifteen to Finish" and essentially the new tuition model will not represent the student's actual tuition rate if they want to complete college on time and this seems slightly misleading. Ms. Dudley confirmed an attempt is being made to be transparent with regard to the tuition rates being proposed and reminded all that the premium currently charged for web courses is being removed. Web classes will now be billed only at the discounted rate. Many schools are charging for any hours taken over 18 but they are also charging at the listed rate and the University is proposing discounting that rate. Confirmation was also provided that 12 hours is being used because that is what the federal government considers to be full-time for scholarship packages, etc. Mr. Combs worries that future students will plan for one amount in terms of total tuition but in reality they need to be planning for a much higher amount.

Confirmation was provided that students are currently being advised to take 15 hours and 12 of those hours could be taken online for \$3,804 (plus the course fee which is less than the 30 percent currently being charged). Currently students pay \$1,100 for each online course. Ms. Dudley indicated moving to this type of model has previously been discussed with the CPE but at the time their stance was tuition for 12 hours would have to remain neutral if tuition rates for any hours above 12 would be increased. It is believed that under the performance funding model the CPE may have more flexibility in this regard. In moving to a per-credit-hour model it is important to note that scholarship dollars will apply to all hours and at a discounted rate for a student who is receiving a performance scholarship that would apply to all hours taken.

Dr. Davies indicated with regard to the discussion on “Fifteen to Finish” versus the cap at 12, this change would apply to new students only and would not affect currently enrolled students. The University is already sending an interesting mixed message with having the cap at 12 hours and saying “Fifteen to Finish.” Removing the cap altogether represents a good policy and is how the majority of institutions are proceeding. Ms. Dudley reported some institutions in the state are billing per hour up to 12 and then billing over 18 hours but at the regular rate and not a discounted rate. What is currently being modeled is the hourly rate at a 20 percent discount so any hours over 12 would be billed at a 20 percent discount. In addition, if a student is a scholarship recipient that would be taken off the top as well. Mrs. Sewell indicated when looking at schools that charge on a per credit hour basis, she found this to be a complicated model to figure out and thinks it could be confusing. Many parents have not had a student in college before and it could be difficult to determine what the actual cost will be. Ms. Dudley stated this is why it is important to focus on a per-hour rate and communication throughout the process will be key.

Mr. Williams indicated if students are being told they need to take 15 hours per semester to graduate in four years, the total cost to take 15 hours per semester must be clear and well presented. Dr. Davies indicated this is accomplished easily in many respects. The Murray State admissions website contains information on cost for 30 credit hours per year as well as information on how much it would cost to take 12 hours per semester. This component of the communication is already available to students and families. Given the current tuition structure, Murray State is at a disadvantage when students and parents begin comparing tuition among different institutions because they are making that tuition comparison based on different schedules. Charging tuition on a per hour basis makes it easier for Murray State’s tuition to be compared with that of other universities.

Dr. Davies indicated by having the cap at 12 hours, versus at 15 or 16 hours or having a cap at all, the University is granting a significant scholarship to all students. The benefit of this is affordability but the disadvantage is the institution is incurring a significant amount of cost due to decreased revenue for the additional courses. This is not an easy solution but as part of the administration’s fiduciary responsibilities it must look at ways to maintain financial solvency – not by only controlling costs but by looking at additional revenue sources and ensuring affordability is maintained. This represents a balancing act and if scholarships are being held to a fixed dollar amount there are various associated issues. Having the goal of students taking 15 to 16 hours per semester to graduate on time and having the cap at 12 hours presents an interesting financial conundrum. The number of students who are taking above 15 hours is not that great. Ms. Dudley provided clarification that the current regional tuition rates are based on an average tuition for three to five benchmark schools in the regional states. The schools utilized for this purpose in the regional states have been identified for a number of years as benchmark schools. The tuition rates for those schools are averaged to establish Murray State’s net regional tuition rate each year. This is the process which has been followed for a number of years and the University will continue to use this model for current students.

In response to a question of why the University is not recommending adopting the Maguire Associates recommendation to have the same tuition rate for all regional states, Dr. Davies indicated this represents a significant risk factor that he does not recommend pursuing at this particular time. Competition for students in the market is at an all-time high and Murray State has a built-in reputation in key states with the high schools and counselors in the various areas. For example, if a significant jump in tuition from the old rate to the new rate proposed by Maguire Associates was made in Missouri where the University currently has 123 students, there would be a significant decline in that number. While the University could bounce back from that decrease in students from Missouri it would take two to three years to do so. Ms. Dudley and her

team studied the feasibility of moving to the tuition rates proposed by Maguire Associates but he is concerned making that change at this time would be too risky.

In response to a question about performance funding, Dr. Davies reported that currently in the state of Kentucky universities are funded on a block plan. If Murray State increases enrollment by 3,000 students it would receive the same amount of state funding. If enrollment decreases by 3,000 students the University would receive the same amount of state funding. The significant variable and key fluctuation within this process is tuition dollars. There has been discussion in that the new funds the CPE is pursuing would be based solely on performance funding measures. Those performance funding measures – at this time – have not delineated between in-state and out-of-state students. They are based on graduation rates; number of students earning a Science, Technology, Engineering or Mathematics (STEM) plus Health (H) (STEM-H) degree and freshmen retention percentages which are not based on whether a student is from Missouri, Illinois or Kentucky but on total freshmen retention. Underrepresented populations are part of this group as well and currently those students are not coming from the University's immediate area but from St. Louis and other areas. Kentucky is abnormal in this regard and in other states where he has worked universities receive funding based on student FTE, typically from that particular state. Ms. Dudley confirmed that the CPE requires non-resident tuition rates to be two times gross in-state tuition rates.

Ms. Dudley reported the following with regard to overall financial projections for this new tuition model, as well as scholarship projections:

- For Fall 2015 there were 1,501 first-time freshmen students. The model being projected for Fall 2016 is financially based on 1,318 first-time freshmen (decrease of 183 students). The model is based on roughly 10 percent less first-time freshmen than are currently enrolled for this Fall in an effort to be conservative in the University's projections. With the model being proposed, the University would almost break even (gain of only \$238,722). If the University experiences a 10 percent decline in yield – based on an across-the-board 10 percent decline – revenue would be negative. The risk factor is great and the model being proposed is on the margin.
- Information on revenue the University expects to generate from the new credit hour billing model was presented. If the University does not move to a new credit hour billing model but goes with the scholarship model being presented, there would be an approximate \$1.2 million deficit at the start. It is hoped this could be managed through increased enrollments which is a significant risk.
- Total scholarship needs are \$5.5 million and represents the amount being put into the model being proposed. Information was provided on the breakdown of this scholarship amount for one class (one cohort) to reach the \$5.5 million total.
- A discount rate of 38.1 percent is being projected which is close to the University's current discount rate of 35 percent.
- An example of a tuition calculation was provided showing what a student's bill would look like moving forward. The University would bill at the hourly rate for the first 12 hours and at some discounted rate for any hours above 12. Students will not see a web rate but only straight hours billed. A 30 percent discount was modeled for any hours above 12 but that likely will not hold true as the new model is considered further because it may not be financially feasible. A 20 percent discount over four semesters would also offer significant financial savings to students.
- Information by region and by state was provided indicating the number of current students within each quality group. These represent students who may receive different levels of scholarship. Murray State's trend over the years has been geared toward students in the lower quality group and there is a desire to reverse this trend and provide scholarship dollars to students more likely to succeed. It is believed this can occur utilizing the new scholarship model.
- Risks associated with moving to a different scholarship model include:
 - The CPE must approve new undergraduate rates and uncapping of tuition. This will not be accomplished until after the 2016 Legislative Session has concluded.
 - More students at the higher quality level will not pay all the bills and, with an 80 percent scholarship level for these individuals, the University will need to bring in more high achieving students to break-even financially due to the higher proposed scholarship values.
 - Higher regional rates for the average student may result in lower enrollment for a period of time.
 - The risk to headcount and revenue can be managed by engaging in recruitment activities that stimulate greater application volume. Marketing must support recruiting efforts with academic quality messaging.

In response to a Regent question regarding the Board not being able to approve the new tuition and scholarship models until after the Legislative Session and how the University can market the changes between now and then, Dr. Davies indicated he is meeting with CPE President Bob King next week but given what is going on with the state and other past practices, he believes the University can put forward an aggressive case for this model indicating the institution is being

bold and making changes to not only keep the University competitive but also meet its fiduciary responsibilities.

Dr. Davies asked whether the Board agrees that what has been presented today represents the right concept for this University to be advancing. Comments from the Regents included:

- It has been indicated the University needs to be able to attract the average student as well as the high-achieving student to make the entire model work. The increased cost for average students may make it not feasible for them to attend Murray State and in certain disciplines it would not be feasible for these students to first attend a community college. Dr. Davies reported the proposal does not suggest Murray State should become an elite institution with all high achievers. Instead, the goal is to admit the above-average, well-prepared college student while being price sensitive and value centered. Incentives will be provided to the average student to encourage them to attend Murray State instead of a community college. The University will remain competitive in terms of cost even for the average student. The University has traditionally focused solely on cost, instead of focusing on the value-added component of a Murray State education and, as a result, has become a commodity. Responses received from Superintendents, Principals and Counselors support the notion that the college ready students – the solid 3.0 GPA and 20 ACT students – have indicated the University is representing a solid value-added benefit for students from the 18-county service region. Having significant recruitment efforts specifically targeting students at the upper end of the academic scale will create even more value. He does not believe the University is forfeiting its price advantage but is adding significant value to a Murray State education.
- This Board has talked about being bold and creating something that would differentiate the University and can be marketed. While making these changes might be uncomfortable, thinking differently than the institution has in the past is to be applauded. Some community colleges are offering free tuition and the University must put in place initiatives which will allow it to compete, especially if it wants to attract those students for their first year. Mr. Dietz confirmed the model being presented actually allows more students to be admitted into the scholarship pipeline by lowering the GPA to 3.0.
- The Maguire Study provided valuable information comparatively about Murray State as an institution. The administration has considered the different options available and narrowed its recommendation to one representing the best formula for this University. Some changes needed to be made and Murray State is simply putting itself in the same category as some of the other state universities. Continued focus must also be placed on juniors to help build the community college transfer aspect of this work.

Dr. Davies further indicated the University will likely lose those students who simply are not prepared for college because they require a number of remedial courses before being able to take any courses for credit. The University is doing a disservice to these students by allowing them to be admitted in the first place because they incur a substantial amount of debt and their likelihood of college success is limited. Ms. Dudley reported, if the in-state tuition rate is increased by 5 percent, tuition at Murray State would be approximately \$8,000 per year and this year tuition at Western Kentucky University is already at \$9,100 per year.

2016 Healthcare Proposal

Ms. Dudley and Joyce Gordon, Director for Human Resources, presented the following:

- Healthcare reform still has major budgetary issues all employers are struggling to address which have resulted from a large amount of recurring costs. When healthcare reform was instituted it was an institutional decision at that time to maintain the grandfathered status, meaning no plan design changes would be made. This represents the philosophy of a previous administration and the University is at a point where changes must be made. The cost of losing the grandfather status is minimal and the preventive and wellness aspects of the new plan have been increased.
- Discussions have continued with the Insurance and Benefits Committee for the 2016 plan year (calendar year). Institutionally, the decision was made last year to not make any changes to the healthcare plan so the administration would have a full year to undertake a complete review of the healthcare issue, taking into consideration all benefits currently offered to employees. Regents Schooley and Jacobs have been very involved throughout this process. The Insurance and Benefits Committee is a standing University committee which has both faculty and staff representation, appointed by Faculty Senate and Staff Congress, and has also been extremely involved in this work.
- Discussions have occurred with the Insurance and Benefits Committee, as well as with numerous other groups on campus, regarding the need to have some plan design changes. The University had two Preferred Provider Organization (PPO) plans and a high deductible plan which had very low enrollment. A review of what other institutions and employers are doing to address healthcare costs was undertaken and the results have been vetted thoroughly with all involved.
- The Insurance and Benefits Committee has recommended that there be a surcharge or difference in premium for tobacco users versus non-tobacco users.

- Almost all employers in the local region no longer cover spouses of employees if that spouse has comparable coverage through their own employer. This is very common but it is new for Murray State and the Insurance and Benefits Committee recommended making this change. This represents one of the largest cost management measures with a savings of approximately \$268,000 predicted. Prior to the Affordable Care Act, it was difficult to define comparable coverage but now companies with over 50 employees will be considered to be comparable. If a spouse has Medicare, is self-employed or works for a smaller employer and their coverage is not comparable there would be no change for those individuals. Human Resources would review those available plans to determine comparability. There are approximately 500 spouses currently covered. It is being estimated that 10 percent would have comparable healthcare coverage through their own employer, although this estimate is believed to be somewhat conservative. The University has no desire for a spouse not to be covered if they do not have comparable healthcare coverage from another employer.
- One PPO plan will continue to be offered and a change is being proposed to move to two high deductible health plans (HDHPs) in 2016. Although this represents one of the most difficult changes, additional incentives for the health savings account are being offered that will be funded by the University. If an individual employee chooses one of the high deductible plans, \$400 will be placed in their health savings account. If an employee chooses one of the high deductible plans for a family, \$800 will be placed in their health savings account. If both spouses are employed by the University, one could receive \$400 as an individual and the other would receive \$800 for the family for a total of \$1,200.
- In the PPO plan, an individual employee's deductible will increase from \$400 to \$500 and the family deductible will increase from \$800 to \$1,000. This represents a situation where the University is catching up with the rest of the world in terms of healthcare. One new level which will be added to the PPO plan pertains to the pharmacy benefit and will be reflected in the specialty office visit (\$40 co-pay) and also with specialty drugs (\$80 co-pay). If an individual has Hepatitis C, up until very recently there were management drugs but no cure. There are now two drugs available which have been fairly successful in certain cases. There is a three-month course of treatment (approximately \$100,000) and currently two individuals on the Murray State plan are pursuing this treatment and one is in the second round of treatment which is very rare. These individuals will be allowed to continue these treatments but there are some cases where this type of approach is not indicated and the patient is not benefitting from treatment due to a compromised system or some other issue. If there is another treatment available then that would be tried before immediately going to the higher priced treatment in order to manage these costs up front.
- Currently the University offers one HDHP plan and the increase for a family will go from \$3,000 to \$4,000 but an effort is being made to help faculty and staff take more responsibility for their own healthcare decisions by managing any issues they may have and identify ways to prevent health issues from occurring. The role of the Health Savings Account is extremely important in helping to manage deductibles and individuals will be provided with \$400 annually while the family will be given \$800. Additional gap coverage is being added to the voluntary benefits plan. A Request for Proposals was issued and the current benefits broker is Neace Lukens. Consideration is being given to offering gap coverage to help employees manage their deductible. The Health Savings Account is an important component of this effort and represents a good start as the employee only has to contribute \$11 per month to receive this benefit. They are allowed to contribute additional money if they so choose. When an employee retires or moves to another employer this is still their money and can be taken to another employer or rolled over to another tax advantage situation.
- The premium surcharge for tobacco use versus non-tobacco use is \$50 per month. A two-year rollout for some of these changes is envisioned because the magnitude is such that not everything can be changed during one year's time. What employees report for the first year will be based on the honor system and when enrolling online a faculty or staff member will have to attest to an affidavit that they either are or are not a tobacco user. Some individuals will slip through during the first year but in year two this particular issue will be folded into the wellness component, as part of the required bloodwork, and the University will no longer rely solely on the honor system.
- Wellness is also a part of the two-year program. In the first year for participation in the wellness incentive program (having a physical and participating in screenings) employees will be provided with a \$10 per month discount in the healthcare premium. As wellness efforts mature this will not be based solely on participation but on employees taking a more active role in managing their health. An emphasis is being placed on helping employees make healthy lifestyle choices and managing any current health issues. All preventative services – whether an individual is enrolled in a PPO or high deductible plan – will continue to be covered at 100 percent and do not require meeting a deductible or out-of-pocket expenses. Human Resources now has control of the wellness program and is starting a very concentrated campaign to offer helpful tools to educate employees about what this actually means. On October 28, 2015, the Health and Benefits Fair will be held on campus and this year represents a combined effort between Human Resources and the Racer Wellness Program.
- A dependent eligibility verification audit will also be undertaken. Murray State has not undertaken this work in the past – although an audit should be conducted every two to three years – but it is estimated \$100,000 in savings could result. Information will be included in the open enrollment education provided to employees and the audit will be conducted in January 2016. The key to this

process being successful is to provide employees with the necessary information to determine whether someone is an eligible dependent prior to them signing up for health insurance.

- In order to manage the pharmacy benefit associated with the healthcare plan, the University is in the process of joining the *Know Your Rx Coalition* to which most universities and governmental agencies in Kentucky already belong. This coalition provides additional buying power and is based out of the University of Kentucky (UK) but does not represent a UK coalition. There are seven full-time pharmacists managing Murray State employees to provide a higher level of service through these individuals having better knowledge regarding what medications physicians are prescribing. Many times individuals elect to not take generic drugs because they believe they are not as effective but given good information their opinion could change and they might be willing to take a generic drug. It is being estimated this effort will result in \$193,000 in savings.
- Information was provided to illustrate how Murray State compares to some of the other regional universities in Kentucky. Nowhere is culture more evident in an organization than in its healthcare program. Prior to 1994 Murray State covered all healthcare costs for all employees. When an individual was hired they were asked whether they wanted single coverage or family coverage and there was no distinction. This practice became no longer sustainable but as of this year Murray State is still covering 85 percent of the total cost for health insurance. The University has an approximate \$12.5 million healthcare plan and employees are paying under \$2 million of that amount. A lot of education must occur in this area because many times employees think what they are paying in monthly premiums represents the full cost for health insurance. Along with Affordable Care Act costs, the issue that is driving this work is the University is reviewing its plan which was projected to have a medical trend cost increase of close to 12 percent for 2016. The national medical trend cost is an increase of 8 percent. This is because necessary changes to the medical plan at Murray State were not made for a number of years. A medical plan design change has not been made at the University since 2010 while most of the other state universities have already made the necessary changes.
- State Human Resources Directors meet frequently and a lot of other schools handle spouses differently than what is being recommended in this proposal. Those schools charge more for all spouses and Murray State is making the distinction only for spouses who have coverage available elsewhere, impacting fewer individuals. Rates will eventually have to increase and there is simply no way around that fact. There may be an unrealistic expectation on campus and work is underway to be as diligent as possible to distribute the necessary information and manage expectations. Murray State cannot continue to cover the level of healthcare costs as it has in previous years. Employees have not realized how much total costs have increased because the University has been absorbing those costs.
- A comparison of the monthly employee premium between Murray State and other local employers was provided. The University and the City of Murray are the only two employers that still offer coverage for spouses who have other coverage available elsewhere. It is likely the City of Murray will also make this change in January because they are experiencing the same pressures as the University.
- A premium schedule was provided in the eBoard books and included proposed, but not final, estimated monthly rate increases for the PPO plan as well as for the two high deductible plans. The rates presented do not include the \$10 wellness incentive available to employees per month if they commit to participate in physicals and wellness initiatives. Increases range from \$10.96 to \$42 but if the employee commits to the wellness incentive they will be credited \$10 each month. A survey was conducted in May 2015 and a premium discount received 80 percent favorability and this represents an administrative effort to respond to the preference of employees.
- The overall plan cost increase with the model being proposed would be \$686,396 and by passing only a portion of this amount along to employees that would mean the University would still be paying 80 percent of total healthcare claims and an employee would pay 20 percent.

Dr. Jacobs stated all recognize the great work which has been undertaken by the administration. The Insurance and Benefits Committee had some difficult choices to make although the scenario being presented, out of three, was chosen. The issue related to the big picture comes in terms of salary increases which were somewhere between 1 to 1.5 percent calculated on an individual's base pay. In terms of the estimated rate increase for the PPO plan, an individual's cost per month for the family plan could increase by \$42. If there is the desire to maintain a PPO and not have a high deductible plan it is possible, even with the \$10 premium discount, that individuals will see a loss in their paycheck in January. This is sobering. If an employee moves to a high deductible plan they are one broken arm away from a cost issue they have not had to face before. He is pleased the University recruited 51 new faculty members and, while this represents a big number, last year the number was over 70. As the University moves forward with policy, one of the issues to think about is faculty retention.

Mr. Schooley commended Ms. Dudley and Ms. Gordon and their staff for this work but one of his concerns is there are generally 1,400 individuals participating in the standard plan and there is no co-pay for medication. What is now being proposed is 80 percent after a \$1,500 deductible is met. For families, even though they are receiving \$800 back, this really represents an expense

of \$3,000 because both members have to reach the \$1,500 deductible. They will be out-of-pocket \$2,200 before the 80 percent kicks in. For staff this will represent a tremendous amount of cost. Ms. Gordon indicated several scenarios will be utilized during training because what people are not realizing is how much in premiums they are paying. Most people are over insured and have been comfortable having the highest level of protection. The actual amount of premiums individuals pay for a PPO versus putting that same amount in a health savings account will save money for many at the end of the year and an effort is being made to provide this type of education and remove fear.

Agreement was reached that making these changes will be challenging but tools will be in place to help mitigate unnecessary fears and provide assistance. It was also agreed that it is unfortunate these changes are necessary. Chair Waterfield indicated that employees within his own company over the past five years have endured ridiculous increases in health care premiums but through structure changes will now receive a reduction in premium costs. Confirmation was provided that an effort is being made to reduce the number of individuals who utilize the emergency room as a convenience instead of a family doctor to address various issues. Confirmation was also provided that it is very rare for an individual to have to go out-of-network for medical services but once they reach a certain level charges will be at a percentage of the maximum allowed. The provider cannot balance bill an Anthem participant.

Appreciation was expressed to the Committee which has worked diligently to address health care issues. Dr. Davies commended Regents Schooley and Jacobs who have discussed this issue with him from the beginning. There has been very good dialog but this does represent a difficult decision and balancing the nuances of this particular issue is challenging. A diligent effort has been made to include incentives in the new structure which will make it more palatable.

Kentucky Teachers Retirement System (KTRS)/Kentucky Employees Retirement System (KERS) Liability, discussed

Ms. Dudley reported the following with regard to the impact of the state pension situation on the University:

- This year the University will be picking up its fair share of the state's pension liability and that will be reflected on the financial statements. The amount is much more dramatic than anticipated.
- The state pension system includes the KERS plan (hourly staff), KERS hazardous duty plan and the KTRS plan (faculty and professional staff). The pension liability for KERS-Non Hazardous is \$9 billion and this is the state's liability which will be booked on their audit. The hazardous duty plan (public safety officers) is \$255.4 million and the KTRS liability is \$21.6 billion. The state is looking at the total system, which does not include municipalities, and the total is \$30.9 billion. The auditors have calculated Murray State's fair share of this amount to be .88 percent for KERS-Non Hazardous (\$79.2 million liability for the University), .41 percent for KERS-Hazardous (\$1 million liability) and .71 percent for KTRS (\$153.4 million liability) that the University will assume on its balance sheet. Although the proportional share is very small the University's balance sheet will now reflect a total of \$233.6 million in liability for state pensions. KTRS has not yet completed their audit and the number being presented today is estimated and could change. There is some concern the KTRS audit will not be completed in time and the University will have a qualified audit.
- Information on the employer pension contributions for each of the plans for the past fiscal year was presented, indicating the University contributed approximately \$12 million. If the state approves a pension rate increase of 3 percent that translates into \$1.4 million in additional contributions the University will be required to make. It is not known at this time how much the state will increase pension rates and this represents a financial stress for the institution.
- In response to a question regarding whether having this liability on the financial statements will affect the University's bond rating, Ms. Dudley confirmed discussions have occurred with Moody's – the body that rates institutional bonds – and it is believed they will take into consideration the pre-pension liability number and the number afterwards. Every institution is in this same situation and the extent to which this will harm the institution's bond rating is unknown at this time.

Risk Management Process, discussed

Ms. Dudley reported the following:

- Almost all topics discussed today involve some form of risk management and discussions represent an effort to prepare the Board for issues which the University could likely be facing.
- Enrollment declines represent a risk management issue and an attempt has been made to mitigate the enrollment decline risk by budgeting \$2 million (3 percent of net tuition revenue). A review of programs that are more sensitive to enrollment declines is being undertaken in order to plan appropriate action to address fixed faculty lines. An effort is being made to be able to respond to

housing and dining expenses in the event of enrollment declines to ensure debt payments and operational expenses can be met.

- Facilities risks include responsiveness to building and/or classroom closures, analyzing appropriate amounts for E&G and auxiliary building contingency funds, developing reaction plans for when new buildings are not on schedule or funding is delayed by the state and strengthening a preventive maintenance plan to avoid costly building and system breakdowns.
- Financial risks include increased state retirement contributions, impact of new pension liabilities on financial outlook and bond ratings, funding of salary and fringe benefit increases in a climate of greater enrollment and state funding risks. In terms of state funding, an effort is being made to develop flexible budgets in the event of future state funding reductions; ensure fixed costs for salaries, fringe benefits, utilities and insurance, etc. are fully funded and manage vacancy credits to provide budget elasticity. The biggest challenge facing the University is being able to build a budget that is flexible as external factors change.
- Public image risks include Title IX which has represented a focus over the past year, management of crisis situations and public communication and issues in the Biology and Chemistry buildings which have been communicated openly.
- Data and system security risks include planning for major systems and software maintenance and updates and working to review cyber insurance options.
- Confirmation was provided that work will continue to develop a comprehensive list of risk management factors for the University.

Title IX Progress Update, received

Dr. Davies reported one risk management area of critical importance is Title IX compliance that pertains to sexual assault, violence and harassment. Ms. Duffy reported the following:

- Murray State has always functioned as a community which is one aspect for which the institution is well recognized.
- Within the past two weeks face-to-face Title IX sessions have been held on campus with faculty, staff, students and patrons (slightly over 2,700 participants).
- Per the Board's approval, two Deputy Title IX Coordinator and Investigator positions have been filled and the successful candidates – Laura Cox and Darryl Lockett – began work at the University on August 17 and both have attorney backgrounds as well as strong investigative skills.
- Regarding case management, Title IX issues tend to take on a life of their own and the Office of Institutional Diversity, Equity and Access is partnering with Student Affairs to acquire MAXIENT which is a case-management software designed to integrate the coordination of information necessary to be responsive to Title IX incidents, including documentation and minimizing repetitive data entry.
- The President has been instrumental in providing leadership, along with Public Safety, to acquire the LiveSafe app and students and parents have shown a great deal of interest. Parents have indicated how much they appreciate the app and how safety centric the University seems to be which has alleviated some of their worries. In various sessions during Great Beginnings students and parents were encouraged to download the app. The Provost has also been active in advancing this initiative. As of last evening, Public Safety reports there have been 1,500 downloads of the app and that number is growing.
- As Title IX Coordinator she has been added to the Student Intervention Team and this will allow for a more coordinated approach to investigating any issues that may arise. She has also been added as a member of the Health and Wellness Committee to talk about how Title IX can become a component of the University Strategic Plan.
- Work has been undertaken with Greek advisors to tap into information they have available regarding Title IX and this has been done at no extra expense to the institution. The Greek system has also expressed an interest in hosting Title IX speakers on campus.
- A series of checklists have been developed to ensure the University is providing continuity in service and rollout to be in compliance with applicable laws. Dr. Todd has been instrumental in stressing the importance of Title IX within the academic units and how they can help distribute the necessary messages and information within the classroom concerning reporting requirements.
- Mr. Dietz has provided assistance by reaching out to the Racer Academy in rolling out Title IX and reminding these students of its importance. The Title IX website has been updated with assistance provided by Marketing and Outreach and all agreements and procedures are currently being updated to include the two new Deputy Title IX Coordinators.
- Online training that was discussed last year is mandatory this year per the Board's approval. This training closes at the end of the day on October 5 and students who have not obtained a score of 100 percent will not be able to register for Spring classes until they complete the required training. There are two portions of the training: Title IX Awareness and Harassment Prevention (in the Canvas portal) and the AlcoholEdu portion which is hosted on an external site. The alcohol training portion surveys student attitudes regarding alcohol, abuses and its impact on sexual assault. A hold is being placed on the academic schedule for any student not completing the training and this is being utilized as an incentive for students to complete the mandatory training. Faculty have also incentivized students in other ways by providing extra credit to complete the training and they are to be applauded

for assisting in this effort. Research shows that Title IX incidents tend to occur more often during the first 30 to 60 days of a semester.

- A question was asked whether information about a hold being placed on a student's account if Title IX training is not completed is being clearly conveyed and Ms. Duffy confirmed that multiple reminders will be distributed next week. All are mindful some students may miss the deadline and if they do advisors will encourage them to complete the training as soon as possible. Information Systems, Technology Support and Consulting Services will update the list of students who have completed the training nightly so the hold on their account can be released as soon as possible after the training has been completed. Faculty have assisted in this effort by making completion of Title IX training part of their course requirements or asking students to complete the training module. First-year experience faculty have also pushed both AlcoholEdu and Title IX participation in their courses to increase overall completion of the mandatory training.
- Currently 519 faculty and staff have already achieved a 100 percent score on the training. As of yesterday, 1,933 students have completed the training with a 100 percent score and that number is growing. Regarding AlcoholEdu for new freshmen and first-time students, slightly over 2,000 students have completed the first portion of the training. Students are discussing the training and are starting to think differently about their behavior and the decisions they make.
- In terms of programming, discussions have occurred with regard to offering training which is wider and deeper than that required by law. In partnership with Athletic Director Allen Ward, Janet Judge, a national authority on Title IX, will be on campus September 29, 2015, in Lovett Auditorium. Two sessions will be offered – one for faculty and staff and one for students – and the Board was encouraged to attend one of these sessions.
- A social media campaign was offered August 18-26, 2015, that had students flocking to Twitter and each day Dana Howard, Social Media Marketing Manager, placed tips about Title IX on that social media platform. Students responded and talked about what they could do in terms of helping an individual who has come forward and also how to be an active bystander. This generated a conversation that was not anticipated and provided another means of broaching a difficult topic. On Tuesday of this week representatives were in Winslow Dining Hall to play “Minute to Win It” where students were quizzed on Title IX and prizes included t-shirts and a selfie stick. Students were initially hesitant to talk about the topic but the more students had an opportunity to see their peers interacting and engaging the more they were willing to participate – to the point where the organizers ran out of prizes. Appreciation was expressed to Dr. Robertson for providing the prizes for this training because the exercise provided an opportunity to have conversations with students that might not have otherwise occurred.
- The University's Non-Discrimination Statement has also been updated on syllabi across campus. Posters listing campus resources have also been updated and “If You See Something, Say Something” posters have been posted throughout campus. A VAWA-focused brochure has also been developed which contains all the Title IX terms, etc. students need to know. In reviewing the definitions it was amazing that some students realized they may be participating in unacceptable behavior but were simply unaware their actions could be a violation of Title IX. Information was provided on where these students can go to make a report or receive additional resources.
- The Learning Center has also joined in this effort to educate students by offering year-long programs on their website and Abigail French, Women's Center Director, has been very helpful in this regard. Ms. French will oversee the AlcoholEdu training this Fall – the first semester of training on campus. AlcoholEdu has historically been led by Judy Lyle in Health Services but she has now retired. AlcoholEdu is paired with the Title IX training and also has a completion deadline of October 5.
- The desire is for students not to see the administration as the policing agency but as a resource where they can get answers and assistance if needed. Students must see themselves as part of a community and not isolated individuals. If the administration can help students move in this direction the institution will better be able to keep Title IX issues at bay. This represents a team effort that involves all university factions. The Board was encouraged to help the administration roll out this message and move forward with messaging to a wider community.

Chair Waterfield expressed appreciation to Ms. Duffy for coordinating this important work.

Adjournment

The Board of Regents Advance adjourned for lunch at 12 noon.

Reconvene

Chair Waterfield reconvened the Board of Regents Advance at 12:45 p.m. and reported all members were present.

Facilities Management – Deferred Maintenance Challenges – Update, received

Mr. Burdette reported the following:

- The principle charge for Facilities Management has always been operations and campus maintenance. Under the leadership of Dr. Davies and Ms. Dudley, the semblance of a deferred maintenance program has been developed and will eventually represent a preventative maintenance plan. Appreciation was expressed to both for their leadership over the last several weeks. He has been given an opportunity to coach the Facilities Management team but expressed appreciation to Mr. Youngblood who is the quarterback of the team.
- This has been a busy summer with over 30 capital projects being undertaken that Mr. Youngblood and his team are managing. There are 80 additional projects which have also been underway over the summer. The “Where Learning Begins” classroom program represents an important initiative and improvements have been made in Faculty Hall and the Applied Science Building. A clean-up, fix-up program has been underway to address various areas on campus which required attention. The University purchased in excess of 2,000 chairs and tables for the classroom project. In order to move these new furnishings into the buildings the old furniture had to be taken out. Moving 4,000 plus pieces of furniture presented its own logistical challenges and all thought these types of projects were what the summer would entail.
- The Chemistry building alone houses 80 separate fume hoods which are big glass enclosed cases where students can do their work and “bad” fumes are filtered out of the building through the fume hoods. Once the Chemistry building was completed and the University took ownership of the facility, annual inspections of the fume hoods were undertaken. The fume hoods passed those inspections but over the years Facilities Management personnel and faculty have noticed the degradation of those fume hoods in terms of performance. Approximately one year ago, following the annual inspection of the chemistry fume hoods, a decision was made that this summer would be the best time to study the performance of these units in detail. A team of experts was brought in and determined there was a catastrophic failure of the fume hoods. It was necessary to make a determination of how to maneuver around the fume hood situation to allow for Summer Session classes to continue while also correcting the situation so the facility was ready for Fall classes.
- An outside mechanical engineer for a local firm was immediately contacted to obtain a second opinion on what had been discovered with regard to the fume hoods. Unfortunately, the information reported was correct and the administration was immediately referred to Facility Commissioning Group, specifically Jim Magee who is an expert on commissioning fume hoods and identifying problems. When Mr. Magee first inspected the situation in the Chemistry building, he stopped after two days and indicated it would be a waste of the University’s money and time if he simply kept inspecting one fume hood after another because it was obvious they all needed to be fixed. At this point contact was made with the prime contractor and the architectural design firm for the building were contacted and asked to send a team from each firm to work with the University to begin to address the necessary fume hood repairs. This team has been working throughout the summer to identify equipment that was not installed correctly, thus causing it not to work properly as well as causing degradation of systems after five to seven years. This team has almost completed its work and most of the fume hoods in the Chemistry building are now functioning properly. There are still 14 fume hoods to be repaired in the Biology building.
- While Facilities Management was in the middle of addressing the fume hood issue in the Chemistry building, it became clear one of the prime causes of the fume hood issue was the air handling system in the building. An air supply system provides heating or cooling to a room and when a fume hood is also in that room this requires negative pressure in one area and a different kind of pressure in others, such as hallways and classrooms. This represents a very complicated air handling system and it quickly became clear that an investigation of the air handling system needed to be undertaken because it was believed to be a contributing cause of the fume hood issue.
- It has been an unusually hot, rainy and humid summer and individuals working to address the issues in the Biology building began to report they were beginning to see condensation on window sills, water dripping from the ceilings and moisture coming out of electrical and lighting outlets. In Kentucky, mold most certainly follows moisture during the summer months and this was the case in the Biology building. Fortunately, the majority of the mold discovered is not considered to be “bad” mold.
- The University has an Environmental Safety and Health Office which employs an individual who is an expert in such matters and her function is to determine whether the mold discovered needed to be tested. Murray State has a contract with Summit Environmental and they will conduct air sample tests and do whatever is required to determine whether mold is present and the type of mold. In the Biology building both good and bad types of mold were discovered. Once the presence of mold is discovered each affected area must be cleaned and this represents an extensive and time-consuming process due to the number of microscopes, beakers and cabinets with shelves and drawers. The University contracted with Industrial Maintenance and Construction (IMAC) and they are taking everything out of a room and cleaning what can be salvaged. Drywall, cabinets, tables and chairs have been taken out of the facility so they can be disposed of properly if they cannot be cleaned. Everything that can be cleaned has been cleaned and stored in plastic tubs and work is underway to allow faculty, staff and students to collect their personal belongings being stored in these tubs.

Throughout the entire process attention has primarily been focused on the safety of students, faculty and staff.

- Roughly 20 percent of Biology space and 15 percent of Chemistry space have been affected by mold. An effort is being made to determine the cause of the mold and this has represented a challenge. The University brought the contractors and sub-contractors together and there are a lot of bright people at the table, including air handling engineers, fume hood experts and building condition experts. Buildings must be able to breathe and the Chemistry and Biology buildings may, in fact, breathe too well. These experts have all been free with their advice and there is every confidence they are doing everything possible to determine the extent of the situation and address it properly. These individuals stopped what they were doing at the time this issue arose to make Murray State their number one priority. Within two weeks the experts will be brought back together to attempt to identify the key causes of this situation.
- When the Biology building was constructed and the white insulation was being installed, nails were driven into the studs to keep this in place. If a carpenter was on the outside of the building drilling nails and missed the stud it appears as though they would just throw the nail away but leave a hole in the insulation and some rooms in the Biology building were found to have several hundred such holes. When warm air comes into the building through porous brick it gets in between the brick and the wall and when it hits metal the air condenses into water and water, in a hot and humid environment, leads to the formation of mold. This represents one symptom that is being dealt with and it is known there are also air handling and negative and positive pressure issues in the building.
- Once the facility is functional a determination must be made in terms of how to repair the building permanently. It would be difficult to provide a timetable for this work but it will take at least until the end of the year, perhaps longer. As drywall is put back up, less expensive drywall is being used because it is currently not known how much impact the walls will have on the situation. A test is being undertaken using different types of insulation in the walls as well as leaving some spaces with no insulation at all. Under these test conditions, spacers will be placed in the walls so experts can see what is happening to determine what factors are contributing to the issue at hand.
- The biggest theory has involved the exterior walls. There are a lot of windows on exterior walls in the Biology and Chemistry buildings. Mold is forming on these walls but it originally appeared as though no mold was forming on interior walls. That theory lasted until yesterday when an interior office was identified as having mold. Frustration remains because every theory which has been advanced to this point has eventually been trumped by something else.
- Assurance was provided that these issues will be fixed but it will take time and money. The current situation is that classrooms are being returned to instruction – approximately four per week – because the extensive cleaning takes a great deal of time. From the middle of July until today teams have been working 12-hour shifts, seven days a week. The process of cleaning and testing the facilities has never stopped in an effort to get these classrooms back on line.
- Confirmation was provided that the Biology building was completed in 2004 and the Chemistry building was completed in 2009. Symptoms have been noticed and were treated but the exact cause of the problem has not, to this point, been identified. Issues with fume hoods have been reported, as well as leaking windows and outlets. There was never mold like what is currently being discovered. A Chemistry Professor has indicated the mold occurred in his laboratory over the last two weeks. Chair Waterfield reported that following his tour of the facilities yesterday it is obvious the mold would have been noticed if it had been present any earlier.
- In response to a question regarding whether there is a design flaw in the facility, it was indicated that there are a few issues with how things were constructed and installed by the contractor and also some design issues. The University also shares in this responsibility whether in terms of maintenance or in some other areas. The contractors and sub-contractors have all been at the table and are very much aware work currently being undertaken represents a one-time chance to get it right in terms of finding a solution. The other issues can and will be sorted out later. The University is documenting everything that is found but so far this situation represents a shared responsibility.
- It was indicated that the same contractor is constructing the third science building and a question was asked about what is being done differently to keep this same situation from occurring again. Mr. Burdette confirmed meetings have occurred with the current contractors and sub-contractors and it has been made clear the University will not go down this same road again. Generally when a building is constructed there is a commissioning process where an independent set of consultants are hired to verify that what is called for in the contract is actually being delivered in terms of the construction, design and engineering of the building. University representatives recently met with the commissioning agent for all systems within the new Engineering and Physics building. This person will be reasonably present throughout the construction process to ensure the base items are being installed properly and once systems start being delivered to the University – such as air conditioning and heating units – to ensure they are designed the way they should be, are constructed and installed properly and work as intended. This will represent “insurance” for the Board that when it is time to sign the building over to the University it is getting what it paid for. There was not a commissioning agent for the Chemistry and Biology buildings. Mr. Youngblood indicated the Engineering and Physics commissioning will cost approximately \$90,000 but consideration is being given to enhancing those services at an additional cost of \$60,000. This represents a \$150,000 commissioning expense for a \$30 million building.

- A&K had the construction contract for the Chemistry building but sub-contracted to Trane which installed the air handling system. Trane then sub-contracted with another firm to design the fume hoods. That firm went bankrupt during the construction process and Trane utilized a firm – TSI – to basically come in and take over where the other firm had left off. TSI designed the fume hoods based on a design started by another firm. It has now been discovered that various components were not installed properly and perhaps were not manufactured properly. There has also been a degradation of the system over the last six to seven years, representing a combination of events which have occurred. Responsibility for these mistakes lies with the design and architectural firms that worked hand-in-hand on the design of the air handling system. Hastings & Chivetta is the architectural firm and McClure is the engineering firm on design.
- Confirmation was provided that the cost of making these repairs cannot be estimated at this time but it is known the work will be expensive. Safety Plus was the original testing agent and instead of testing all fume hoods at one time on an annual basis, as was required, they only tested three or four at a time which gave a false reading on how the system was actually performing and this compounded the issue over the years. It was confirmed the fume hoods were tested and declared safe but had not been tested under optimal conditions.
- It is also known the roof has caused problems since it was installed due to the number of peaks and valleys. This is not a major contributor to the issue but it did add to the situation. Other theories involve issues with the gutter system and the effect of hot Kentucky days, with moist and humid nights, and whether the exhaust air is pulling in moist air in the morning and distributing it throughout the building. An attempt is being made to investigate all of the various theories which currently exist.
- It was further noted that mold does not fall within insurance coverage but an insurance claim is being submitted to determine whether there may be secondary insurance for damages which can be claimed.
- With the two catastrophic rainfalls which occurred in July, issues were also discovered at Stewart Stadium. Below the stadium there is 175,000 square feet of office space, physical fitness rooms, offices for the coaches and the team locker rooms. Football stadiums are designed so that they “leak” because this is how water is removed from the facility. Stadiums are not designed, however, to handle such a large volume of water. There had been leaks in athletic offices before and in 2008 Mr. Ward and Mr. Youngblood developed a plan to fix what was considered to be major leaking at that time. The situation which presented itself in July was catastrophic rain pouring into offices, locker rooms, physical fitness rooms and hallways and even water from the football field coming up into offices.
- Work began to address this new issue in Stewart Stadium because all believed the situation in the Chemistry and Biology buildings were under control. The issues in Stewart Stadium are being addressed in three phases. The first phase is determining what needs to be fixed and then cleaning up the facility so it is ready for students in time for Fall classes. This work has been undertaken. The second phase will address the fact that the University cannot continue to live from rainfall to rainfall with regard to Stewart Stadium. This September or October a structural engineer will be hired to determine what has happened in Stewart Stadium since 2008, including the failure of gutter and drainage systems. The study will be conducted this Fall and appropriate remedying action will be taken at the conclusion of that work. This represents a mid-term course correction and the larger issue is the long-term plan and solution that needs to be developed for Stewart Stadium.

Chair Waterfield indicated the Board was aware of many deferred maintenance issues which needed to be addressed but this was not one of them. Mr. Burdette stated that, in terms of deferred maintenance, for several years this campus has not had a defined deferred maintenance plan and this work must be done on an ongoing basis so these major issues do not arise. The situation with regard to the Chemistry and Biology buildings is unusual and he cannot say a deferred maintenance program would have prevented the issues now occurring in those two facilities. Over the next five years there will be a deferred maintenance program in place and there are several initiatives that will be undertaken, such as replacing roofs, to hopefully avoid larger issues from occurring in the future. He strongly encouraged the Board to maintain funding for the deferred maintenance program due to its importance. A local newspaper has also recently highlighted the fact that the number of mold issues reported through cleanup agencies has significantly increased over this summer. This represents the perfect storm due to structural issues, along with some environmental issues, that have impacted the Biology building.

Given that the same contractors are undertaking the largest scope of work for the Engineering and Physics building, it was asked whether additional mechanisms are in place moving forward to better protect the University from situations such as this from recurring because the institution is being held responsible for the cost of the repairs. Mr. Burdette reported the system being utilized for heating and cooling in the new facility will be different and those working to complete the building well know the same situation cannot repeat itself. Confirmation was provided that the contractors are constructing other major facilities for the University and it has been impressed upon them that if the Biology and Chemistry buildings have complicated fume hood systems this will be even more prevalent for Breathitt Veterinary Center. The University is

also changing the way it inspects fume hood systems in the future and will hire independent commissioning bodies for each future project – which represents one of the best forms of assurance.

Dr. Davies added that it is not only important to recognize Mr. Burdette and Mr. Youngblood and the Facilities Management team but also the faculty, staff and students in both of the affected buildings. They have been phenomenal even when their livelihood and their art have been cast aside throughout this process. They have been amazing in dealing with this situation in an understanding manner. Faculty have moved offices and students, realizing they cannot access their labs, have also been very cooperative.

Performance Funding – CPE Proposal Presentation, received

Dr. Davies indicated performance funding has become a “buzz word” in public higher education throughout the United States. Many states have started the notion of performance funding – funding outcomes and rewarding universities or community colleges based on what they are able to accomplish throughout the year. Kentucky has caught that buzz and universities are currently moving throughout the process.

Parameters surrounding the performance funding model involve keeping the current base of operations whole for the various universities. Under the current proposal, Murray State will continue to receive the same amount of funding, minus budget cuts, but all new funding the institution would be seeking for this year would be performance funding based. The University, in order to keep these funds in its base budget, would have to have some level of performance funding. For all universities and community colleges the budget request moving forward for performance funding is \$86,737,000. Murray State’s proportion of that total amount is just under \$4 million which would be allocated to the University for the biennium. If the institution achieves set goals, the \$4 million would become part of the base funding for years to come. In the next biennium another pool would be allocated and the process would be repeated. The pool of performance funding equates to the University competing against itself. It does not matter what the other universities do on their performance funding measures because they have their own pool and Murray State would be competing simply for its pool of funding.

The metrics currently being discussed to achieve performance funding would include four and six-year graduation rates, graduation numbers for STEM and STEM-H degrees, retention rates for freshmen and sophomores and the number of students completing 30, 60 and 90 credit hours. Some of these metrics would also be broken down – not on students as a whole – but for underrepresented categories. The current thought process is there will be a minimum number of metrics (four to six). Two or three of those metrics would be chosen by the CPE and the universities are proposing that an equal number be chosen by the individual institutions. The goal and target for each of the metrics would be based on a university’s current position and expected outcomes based on the student population. Murray State currently has a freshman retention rate of 71.2 percent and, by the end of two years, a goal could be for the rate to be 74 percent (or some number) that will be based on the starting point as well as the type of students admitted. Other universities have lower freshman retention rates and their success factor could be much greater. At the end of each year the CPE will calculate the percentage of goals achieved. If an institution achieves all of its goals then it would receive the entire \$4 million. If an institution achieves only 50 percent of its goals then the percentage of funding it would receive would be decreased by that proportion. If the institution achieves 80 percent of its goals then \$3.2 million would go toward the institution’s base funding (loss of \$800,000 for the next year). The theory is there will be another allocation of new money and that allocation of performance funding would be based on a percentage of the university’s share of the total allocation to higher education.

This sounds like a good plan and there has been a great deal of discussion in this regard. A challenging point of this theory relates to the individual metrics being discussed and how they will be measured, who will be measuring those metrics and how they will be specifically set. In theory this is not a bad idea and Dr. Davies supports the notion of performance funding. Universities should be allocated funding based on how they perform and should have stretch goals that are reasonable and achievable – but not easily achieved – and he is an advocate for the performance funding model. What gives him pause for concern is how those metrics are going to be selected, how they will be analyzed and who will be analyzing them. Part of the discussion

has included the notion of equity funding. In terms of state appropriations for the regional comprehensive universities on a per student basis, Murray State receives \$5,209 on average from the state and Eastern Kentucky received \$5,203 per student. Two universities – Northern Kentucky University (NKU) and Western Kentucky University (WKU) – receive considerably less on a per-student basis (NKU, \$3,682 per student and WKU, \$4,219 per student). These two universities have put forward the case that they would like to receive special initiative funding to have their state allocations increased on a per-student basis so it is more equitable – not equal – to the other institutions. This sounds reasonable but there is a challenge in that NKU tuition is \$9,311 and WKU tuition is \$8,486 while Murray State's tuition is \$7,655. If the tuition dollars are not adjusted, the total public funds for those two institutions will be significantly higher than what is currently the case. Now, when both tuition dollars plus the state appropriation are taken into consideration, all universities are equitable and within a reasonable amount of one another. If one considers only state appropriations then these two institutions do have a case to make. If one also considers tuition dollars that is where an inequitable situation begins to develop.

If performance funding is initiated for the first year this will not represent a big deal although there are significant advantages in terms of revenue per student for NKU and WKU which will allow these institutions to address their needs – such as deferred maintenance – in better fashion than Murray State because they will be earning over \$1,000 more per student. The significant issue with this model involves total public funds in all future years because the percentage of total public funds, on a per university basis, is what drives the performance funding model which affects future increases in performance funding. Percentage of total public funds also drives capital requests, IT and deferred maintenance numbers, etc. He does not have any issue with the notion of performance funding and if NKU and WKU wish to move forward with the special initiative, above and beyond the CPE and not have that as part of the package, he is also okay with that. The CPE must have some sort of ramifications or measures that will hold Murray State and Morehead State, specifically, harmless from the dramatic increase in the total public funds allocation model and, in the long term, the significant cash revenue advantage the other two institutions will have. He has made this argument time and time again and has a meeting scheduled with CPE President Bob King on Tuesday to make this argument one more time in person. He has talked with Chair Waterfield regarding this topic on many occasions. To be blunt, his argument has not been heard at this point in time. Morehead is also very much arguing along the same lines as Murray State and this discussion point has created a great deal of tension and ambiguity. It is a point Northern and Western are very adamant about but the issue at hand for Murray State is these two institutions have argued that they have higher tuition because they had to offset the lower state appropriation. If these two institutions receive an increased state appropriation then they should be moving in a different direction with regard to tuition dollars because it creates a significant imbalance as future budgets are calculated. He has proposed several ways for Mr. King to at least deal with the budgeting allocations moving forward. One suggestion is if a special initiative is given then that should not be included as part of base funding so it is not counted as part of the percentages moving forward for various increases. This does not necessarily handle the revenue advantage these two institutions have in terms of the extra revenue per student but in the grand scheme of things he could live with that because he thinks Murray State can offset the advantage with out-of-state tuition and through other mechanisms. He is arguing for a level playing field for the years to come in terms of the budget, capital and technology increases and all of the various things that are based on that percentage.

Four years ago Northern Kentucky University started pounding the table indicating that they were not getting their fair share of the state appropriation. They have a legitimate argument if only revenue per student is taken into consideration. Dr. Davies believes one must look at total funds and those must be allocated across-the-board. The budgets promoting Kentucky over the biennium would be \$10.5 million in equity and for Western their amount would be \$5.1 million. This would represent significant portion dollars going to just two institutions which would hurt the remaining universities over time. Politically speaking, if performance funding moves forward, Murray State's budget increase would be 8.2 percent, with Western increasing by 15.3 percent and Northern increasing by 30.6 percent. He sympathizes with the state appropriation side of the equation but as these two institutions argue for equity their argument has also created significant inequities in the way it is being applied and he cannot allow this to happen. Confirmation was provided that Eastern Kentucky and Morehead have both joined Murray State in this effort but the administration at Eastern has not been as vocal as the administration for the other two universities.

Chair Waterfield expressed concern that President Davies has been ignored to a degree. Dr. Davies indicated one of the frustration points is he has been a very strong team player in regard to the performance funding initiative, even to the extent of equity for Northern and Western, if the downstream implications are addressed. In the past six months every time this issue has been raised he has indicated support for performance funding and, while he still has questions in terms of how the metrics are devised, he believes agreement can be reached in this area to a certain degree. The equity side of the equation for those two institutions must also be taken into consideration, especially if the CPE does not account for tuition dollars. The CPE must take into consideration tuition increases over the past ten years and Murray State should not be punished for making a conscious effort to keep tuition affordable. Every other Kentucky university, with the exception of Kentucky State, has more than doubled their tuition. Murray State is the most affordable university with the lowest tuition and has consistently maintained the lowest tuition increases. If tuition increases are capped at 5 percent then Murray State's percentage is very different than that for Western or Northern when they are charging \$9,311 per student. The University has been confined by these tuition increase caps and what is being proposed in terms of special funding initiatives will exacerbate that situation.

Three weeks ago the University Presidents reached a compromise with a suggestion he put on the table that did not help Murray State and definitely helped the other institutions. However, he was very explicit that in order for Murray State to continue to support this notion the equities of tuition rates and total public funding must be addressed. Two weeks ago the CPE sent out a PowerPoint with the budget model which included some of their expectations. The expectations upon which he based his earlier commitment were that performance funding would be the sole priority of the CPE in terms of budget requests and for the special initiatives for Western and Northern equity funding those universities would be on their own and this would not be a priority. Unfortunately, in the PowerPoint presentation received these two areas were presented equally and that is unacceptable. He also made clear in proposing this compromise that performance funding should be funded first and if additional funds are left over then the special initiatives would be funded according to however the CPE wanted those divided but in the PowerPoint received this was not the case and instead the presentation indicated money would be put into one big pot and the CPE would make a determination on how to try to make all the universities happy. This is also unacceptable. Even though Dr. Davies made it clear the tuition equity issue must be addressed when discussing the issue of total public funds, it was not addressed at all by the CPE. Dr. Davies emailed Mr. King on the day the PowerPoint was received to state his concerns and objections on behalf of Murray State, once again indicating the University would not support the model as presented until his concerns were addressed. Carl Prestfeldt, Director for Fiscal Planning and Analysis, attended a CPE meeting that same day and reiterated the President's sentiment to the CPE. Several CPE Board members were also present so all were clear about Murray State's position. All were surprised when Mr. King then reported he was surprised Murray State had taken this stance. Fifteen days later – yesterday – Dr. Davies finally received a response from Mr. King. As is understandable, not receiving a response from the CPE President for over two weeks made him quite upset and he is not sure all universities would have been treated in this same manner. In either event, this started a series of conversations which has resulted in the meeting between Dr. Davies and Mr. King next week. Confirmation was provided that simply scheduling this meeting represented an interesting process. Dr. Davies stressed that this is not an issue he can back away from because it represents something for which Murray State must fight. Chair Waterfield has been engaged throughout the process and his political advice has been heeded. He has also pledged his support to the President throughout the process and it is Dr. Davies' hope that the full Board will also offer its support.

Dr. Davies added that to further convolute the process, the CPE is currently going through their own strategic planning exercise. That work group is meeting today but the CPE set the final meeting date even after Murray State informed them the Provost, business officer and the liaison to the Committee could not be present (due to the Advance). Kelley Wezner, Director of Institutional Effectiveness, is part of that work group and is currently across the hallway on the phone participating in the meeting. Today the CPE is setting the metrics for the overall Strategic Plan and are doing so even though they were aware Murray State representatives could not be present. In terms of the claim of transparency in this method, he will let the Board members be the judge. The details of the metrics were sent out late last night and then revised ten minutes before the meeting today. The suggestions that have been brought forward have not been adhered to, not only from Murray State University but from other universities as well. There are

certain metrics which do not make sense for Murray State but those metrics are continually being brought forward and percolated by the CPE. A number of metrics which are being proposed by the CPE may require him to seek Board approval to hire two additional institutional research employees just to handle the reporting aspect. This represents a very exhaustive process and in the end likely will not move Murray State forward as an institution of higher education – representing yet another concern.

Dr. Todd, Ms. Dudley, Mr. Prestfeldt, Dr. Wezner and Dr. Fister have all been and continue to be very vocal throughout this process and that appears to be causing some issues. With regard to the strategic planning process, Murray State is not the only institution speaking up. Dr. Wezner informed him that the meeting she just participated in did not go well for CPE staff. With regard to the performance funding metrics and this process, Morehead State, Eastern Kentucky and Murray State are in alignment, although the first two institutions are not being as vocal. The University of Kentucky and the University of Louisville, because they are Research I institutions, have moved in their own direction and developed their own model without the CPE. Kentucky State is also part of the performance funding model but have not been involved in these discussions because of its own larger issues in terms of sustainability.

In response to a question regarding what happens if Murray State does not support the decisions the CPE is making, Dr. Davies indicated this will present an interesting legislative challenge for the CPE because it will not be able to indicate to the legislature that all of the institutions support what they are proposing. It also creates an interesting legislative situation for all of the universities because unanimity is desired in moving forward as one body. The likelihood of new money being available is very slim but there could be new monies available in future legislative sessions and Murray State does not want to agree to a plan that could be detrimental in the future. The political risk is this could cause Murray State to have strained relations with key legislators but, given what he is hearing from those in Frankfort, it is not believed that not being completely in line with two other state universities will affect the University significantly although it does represent a risk factor. Mr. Rhoads added it does not give Murray State a bad name if it is not completely aligned with the CPE. There is strong sentiment that the CPE does not serve the purpose for which it was originally created to serve. He does not see the CPE as having a great deal of legislative clout and it does not put Murray State out of favor if the institution takes issue with some of the things the CPE wants to do. Dr. Davies believes the risk level is not significantly high but the institution could offend a key legislator or two in the back door of the other two schools.

In terms of how the equity funding came about, Dr. Davies reported the CPE developed a funding formula model based on in-state, out-of-state and underrepresented student headcounts and graduation rates, among other measures. Most states have a funding formula and in Oregon if a student is a junior in the sciences every FTE is worth 'x' amount and for an underrepresented student the FTE would be worth a little more. This produces a number which determines what a particular university's allocation should be and a similar exercise was undertaken by the CPE. Coincidentally, Murray State was pegged as the median among all the institutions, Northern and Western were below that median and Eastern and Morehead were above the median. Kentucky State is an anomaly and receives \$9,500 per student from the state and has tuition of \$7,700 for total revenue of over \$17,000 and because this is unusual it cannot be utilized for comparison purposes. This is where the equity difference comes into play because the study undertaken was based only on state appropriation and did not take into consideration student tuition revenue. In response to a question regarding whether CPE staff are now saying this model is not appropriate moving forward, Dr. Davies responded they recognized that total public funds is the better way to go but they are still using the old model for the equity adjustments to get state appropriations for Northern and Western up to a similar amount as that for the other institutions.

In response to a question regarding the purpose for the CPE Chair's visit tomorrow, Dr. Davies indicated Glenn Denton expressed a desire to visit with each of the public institution boards to show support for their efforts and learn more about the individual universities. Mr. Denton is aware President Davies is not 100 percent in agreement with the CPE proposal but he may not be aware of the nuances just outlined. This issue will not likely be resolved prior to the CPE Governor's Conference on Higher Education Trusteeship in September. Chair Waterfield indicated it would be desirable to have as many Regents as possible present at this conference. Dr. Davies reported that although Mr. King asked to meet with him following the Presidents' meeting on Wednesday, Dr. Davies thought it would be useless to have the meeting after the

university Presidents' meeting because it will be a challenge to arrive at affirmative decisions at the Presidents meeting itself. Until Dr. Davies' issues are addressed he will not and cannot support what is being proposed by CPE staff.

Dr. Davies reported that one of the CPE solutions, in regard to Northern and Western having higher tuition and how to move that to a level playing field, was to give Murray State and other institutions the ability to raise tuition by more than 5 percent on an annual basis. Dr. Davies and the other Presidents had no desire to do this to students. It is not feasible to ask Murray State to get to the tuition level of \$9,311 when it is currently at \$7,600 and to do so through large tuition increases. In response to a question regarding whether over the years Western and Northern took advantage of the CPE not having tuition caps in place and raised tuition at higher levels, Dr. Davies responded that this Board made some decisions in terms of raising tuition by 2 percent when there was a CPE cap of 5 percent while Western and Northern increased their tuition by the full 5 percent. Even before there were tuition caps established by the CPE, these two institutions were very aggressive in adopting higher tuition rates. This has created the imbalance between tuition and state appropriations over the years. Dr. Davies confirmed he provided the idea of a tuition freeze at these two institutions but Mr. King indicated Western would not accept the idea. It is ironic that the community college system froze tuition this year but are also seeking special initiative funding of \$3.2 million to help offset not raising tuition. Dr. Davies suggested a special initiative be provided for Murray State to address low tuition which would represent a solution to this issue but his idea has not been acted on. Confirmation was provided that the performance funding dollars are not coming out of the base appropriation for the coming year. The legislative request is being positioned to replace funds that were cut during the recession and some feel this is putting the base appropriation at risk because the universities at one point had access to this funding. Confirmation was provided that the inequity as it currently stands would be perpetuated each year and would exasperate in future years because of compounding interest.

In response to a question regarding what would have happened if performance funding or any discussion of equity for the two institutions had not come about, Dr. Davies indicated there would have been base funding pools being strictly allocated to the institutions based on the previous year (plus or minus a percent). Northern Kentucky started this discussion during the last budget cycle when they first began pushing for equity funding. This was the first year the CPE did not present a budget to the legislature that was agreed upon by all of the universities. Western was not on board at that time although they are now. Murray State not agreeing to the budget presented to the legislature does represent a risk. Dr. Jackson indicated the previous President at Northern Kentucky really understood total public funds (tuition plus appropriation). When these numbers are added all the institutions are pretty close. Tuition at WKU and NKU is higher but that is by design because those two institutions opted for higher tuition increases. In fact, WKU enacted two tuition increases within one year. This argument did not work for these two universities and they have now shifted to an argument about the appropriation component. This seems to be a micro-political and CPE issue and, unfortunately, whoever is being the loudest right now seems to be the most successful. Confirmation was provided that Murray State's legislators have been briefed on this situation and have indicated to Dr. Davies he should stick to his guns.

Dr. Davies asked if all Board members understand the direction he is headed because he is not hearing he needs to stop. Agreement was reached this is how the University administration should proceed.

Dr. Wezner reported that the morning meeting with the CPE was about performance funding metrics and the afternoon meeting was about performance metrics for the CPE Strategic Plan. This sets the metrics the President reports on each year to the CPE and is used as a score card. The CPE did indicate they were hoping to lock in the performance funding metrics very soon (by November) and they would then worry about identifying other performance metrics by March 2016. The Diversity Plan – which will constitute the first objective – will not be undertaken for at least a year. The implications of part of what the University is being asked to agree to now will not be known for some time. Confirmation was provided that the two meetings with the CPE staff involved representatives from each of the universities. The morning meeting included the business officers and normally Ms. Dudley would have been present had she been able to attend. Provosts were also invited to attend as well as institutional research personnel and it is evident that CPE staff are driving much of this work.

In response to a question regarding the appropriate role of the CPE and how that body should function, it was confirmed both gubernatorial candidates have touched on this subject and the potential of undertaking another higher education reform. The last higher education reform occurred almost 20 years ago and some tweaking of the system could occur over the next few years. It is hoped there will be clarification regarding the role and duty of the CPE even though those are clearly delineated in statute. Dr. Davies believes the CPE can be beneficial and he strives to maintain a good working relationship with that body. At the same time, the level of respect and the awareness of key issues need to be revitalized. Mrs. Guess served on the CPE and stated, from her own experience, that the members are often isolated and the meetings involve information being pushed to CPE members without them communicating a great deal with the university Presidents. Chair Glenn Denton is passionate but he only hears what Mr. King tells him and will fight hard to support that. She would advocate for a conversation with Mr. Denton as Chair of the CPE to ensure he is aware of the key issues for Murray State. Dr. Davies agreed, adding that Dr. Ellis in Benton and Dr. Jackson in Paducah are also members of the CPE and it is believed they have not been made aware of the issues currently being discussed.

Mr. Williams indicated what the President is doing is being undertaken sequentially and appropriately. If this conflict must continue, then the duty of the Board to be advocates for the institution should be invoked. Within the appropriate timeframe, if the Board needs to be activated and local legislators need to be rallied in an appropriate way, the President simply needs to let the appropriate parties know. Advocacy is one of the responsibilities of this Board and all must make sure to protect the organization they have pledged to protect. Dr. Thornton added that in terms of equity, those institutions that have purposely kept tuition low are seemingly being punished while also having to live within the budgets they approved.

The Board adjourned for a break beginning at 2:13 p.m. and ending at 2:26 p.m.

Salary Compensation Plan, discussed

Dr. Davies reported that initiatives are underway nationally with regard to minimum wage increases. Earlier this year Governor Steve Beshear increased the minimum wage for all state employees in the Executive Branch of government to \$10.10 per hour. There is also a salary compensation component for faculty and staff contained within the University's Strategic Plan. An Advance was held with all University leaders at the beginning of the summer. In talking to the Deans about risk factors they face and what keeps them up at night, the ability to recruit faculty given current salary levels is paramount and this is an issue the University will consider as work takes place over the next year to develop a Salary Compensation Plan.

Ms. Dudley and Ms. Gordon presented the following:

- There is a great deal of work to be undertaken in order to conduct a faculty and exempt staff compensation study. A study of hourly staff salaries was undertaken several years ago but it took three years to actually implement the funding of that initiative. This will represent a substantial planning process and part of this work will include developing more consistent evaluation processes for the merit component of this initiative. Merit will come into play after the Salary Compensation Plan is put in place but the University must begin planning now to address the issue.
- A consultant will likely be hired to assist with this work. Over the next year time will be spent planning how to properly undertake this study. University action with regard to the minimum wage and a full compensation study is being delayed until federal legislation which will be enacted by the Department of Labor (DOL) is actually known. Final DOL regulations are expected to be available in early 2016.
- The proposed regulation changes from the Department of Labor would involve adjusting employment classifications at Murray State. Currently positions are either classified as being exempt (no overtime) or non-exempt (hourly). The current minimum salary base is \$23,660 and the regulation being proposed in terms of the new salary level is \$50,440. This means all employees who are currently classified as exempt that are below this level will automatically have to be reclassified as non-exempt employees. Confirmation was provided that these changes are not applicable to faculty. This change would have significant implications for the institution in terms of overtime costs. There is no doubt salary levels will increase but by how much is not yet known. Murray State currently has approximately 230 positions that this legislation would affect, based on salary level alone.
- This is the first time there has been a change to the Fair Labor Standards Act since 2004 and they are doing a lot of catch-up but are also trying to undertake that work in one year. This change will also involve an automatic cost-of-living (40th percentile) increase yearly for all actual wages and this also represents a major undertaking.

- The state Chief Human Resource Offices have responded from the state association viewpoint. One of the more difficult elements from the Human Resource world is the morale issue which will come into play. Individuals who are classified as exempt currently represent a different level of employee. Murray State even has individuals at the Director level in smaller departments who would not meet the new salary level which could result in all individuals in a particular department being paid at the non-exempt or hourly level. Over the years the institution has not tracked how many hours these individuals are actually working or whether the number of hours they are working can truly be related to their actual position. Each of these positions will have to be reviewed on a stand-alone basis. The first test will be the salary and the duties test will then follow. When the response period ends on September 4 it could be as short as one month or as long as nine to 12 months before implementation is required, depending on the decision rendered by the Department of Labor. This represents a huge issue for any organization and involves monetary and productivity issues. The organization can also lose flexibility in the workplace that currently exists for department managers to complete projects. If there is a deadline for a major project what is being proposed could significantly increase the cost associated with completing a project due to having to pay overtime wages.
- Information was provided giving a dollar equation for the rates being discussed. The minimum exempt salary for employees currently equates to \$12.09 per hour and if the minimum salary is changed to \$50,440 annually a move would need to be made to what would equate to \$26 per hour for the lowest paid exempt employee. The financial impact to the institution to move 230 individuals to this level would be \$7.9 million in wages. If just 1 percent of these individuals work overtime that would amount to \$80,000 and 20 percent would cost \$1.6 million. The University will be challenged to determine how overtime will be paid versus creating another position with associated fringe benefits.
- There will also be administrative overhead due to 230 additional individuals having to complete a timecard which represents a significant increase in payroll activity. Confirmation was provided that faculty are excluded from this change except for Lecturers who also have another role at the University. These positions will have to be divided out as the University may not be able to maintain the current structure under which these exempt-level individuals are employed. Employers have tended to misclassify employees so they do not have to pay overtime and what is being proposed represents an over correction – although some changes clearly need to be made. The volume of change being proposed and the associated cost constitute the main issues.
- In June Governor Beshear issued an Executive Order for Executive Branch employees to be paid a minimum wage of \$10.10 per hour. The University was not required to increase its minimum wage at the beginning and is instead proposing to the Board a minimum wage phase-in over three years. An example was provided for a lowest paid staff employee at the University who is currently making \$7.54 per hour (\$15,744 annually). An increase of \$5,345 would be required over three years for each employee at an hourly rate of \$7.54 in order for their salary to reach the \$10.10 minimum wage (34 percent increase).
- Four different models are being considered as a way to phase in this change over a three-year period beginning with the next budget cycle. The first model is to increase every employee making below \$10.10 up to the \$10.10 level at a total cost of \$405,621 at the end of the third year of implementation. This method would create some compression and issues with the University's current grade scale.
- The next option being considered is to increase the minimum hourly rate for each of the 11 levels of the current grade scale but maintain the same distance between grades at a total cost of \$2,427,824 at the end of the third year. This results in salaries increasing for a number of employees who are already at the high end of the pay scale and those increases may not need to occur from a minimum wage standpoint. This option does keep the current grade scale intact.
- A third option being considered is to increase the minimum wage to \$10.10 per hour and increase all hourly rates at the same level to avoid compression for a cost of approximately \$1.7 million per year and a total cost at the end of the third year of implementation of \$5,230,967. This option would increase all hourly rates for employees proportionally but represents a dramatic action step.
- The last option seems to be receiving the most support and that is increasing the minimum wage to \$10.10 per hour over a three-year period but also implementing a model which will diminish that increase moving up the grade scale and pull some of the grades closer together in terms of the hourly rate while attempting to maintain some separation. This does not increase the hourly rate for everyone in the grade scale from a minimum wage perspective and represents the law of diminishing returns. The total cost to implement this model over three years would be \$1,090,469.
- An effort is being made to identify a model the University can begin to implement to address these issues whether it is required by law or not. The Board has already voiced its concern and has directed the administration to begin considering what can be done for employees on the lower end of the pay scale.
- Confirmation was provided that the action taken by the Governor was to raise the hourly rate for all employees making under \$10.10 to the \$10.10 level without taking the compression issue into consideration. The University of Kentucky shortly thereafter implemented the same model and is currently trying to address the compression issue the action created. Other universities are in the process of making changes but have not yet done so. Murray State has a significant number of employees making below \$10.10 and is perhaps farther away from this minimum wage level than any

of the other institutions – which means the financial impact to the University will be much larger than for others. The increases being discussed do not include student workers because the Executive Order did not apply to students. Confirmation was provided that the University is not yet required to make any changes but the administration is preparing for any action which may be taken at the state and/or federal levels.

Regent comments included:

- The fourth option represents the most responsible approach because the other options are quite cost prohibitive in terms of the financial health of the institution. Ms. Dudley confirmed that this option would create the least disruption and at this time would be her recommendation.
- Proceeding in the same fashion as the Governor would cost significantly less. Ms. Dudley indicated this would also create salary compression and additional funding would eventually be needed to address that issue.
- The third option could be utilized but perhaps over a longer period of time. Ms. Dudley confirmed this could be done but she is concerned how long it would take to reach the \$10.10 per hour minimum.
- From a social justice point of view, there are many faculty who are burdened by this very issue. At the same time, faculty have indicated there can be gradations because there is some semblance of everyone “having a piece of the pie.” There are many people talking about how difficult it is to recruit faculty based on the initial salary that is being offered and this represents another area where there is compression. Ms. Dudley confirmed this issue also exists for professional staff and compensation for both groups will be taken into consideration as this work continues.

Dr. Davies confirmed one objective contained within the *President’s Work Plan for Strategic Priorities* is to prepare for a comprehensive study to ensure fair and competitive compensation for faculty and staff and this work will include total compensation – not just salaries.

President’s Work Plan for Strategic Priorities, discussed

Dr. Davies reported that the *President’s Work Plan for Strategic Priorities* was presented to the Board and represents the key items and areas where he will devote time and energy over the 2015-16 academic year. This document also outlines those areas on which the Board will evaluate the President. This represents a very ambitious set of goals and objectives and the Board was asked whether they had questions or if there were additional items that need to be added to the following document.

2015-16 President’s Work Plan for Strategic Priorities

The following are the items and areas in which the President will devote time and energy over the 2015-16 Academic Year. In addition to these goals and objectives, the President will work with the appropriate leaders and constituents and provide the necessary leadership to ensure the implementation of the Strategic Plan is progressing according to the outlined plan.

Advancing a Culture of Academic Excellence

GOAL: ***Creating and enhancing academic programs that will propel Murray State to be recognized as the Commonwealth’s premier public University and the “University of Choice.”***

- Develop strategies and tactics to advance the Honors College.
- Appoint a Presidential Task Force to develop a formal study of academic programs to identify strengths, weaknesses, opportunities and threats to ensure standards for rigor, relevance and excellence aligning with CPE review processes.
- Ensure the development of an integrated marketing plan that will include the identification and promotion of flagship programs and recognize, enhance and market distinctive/compelling programs to recruit and retain students while increasing the reputation of the University.
- Prepare for a comprehensive study to ensure fair and competitive compensation for faculty and staff.
- Formulate a strategy and begin implementation of a new tuition model based on the recommendations from the Presidential Task Force to develop a more effective tuition pricing model with consideration given to discount factors based on merit.

- Prepare for a comprehensive capital campaign by 2017 to focus on enhancing academic excellence and promoting student success initiatives.
- Enhance and promote the work of the Faculty Development Center.

Promoting a Dynamic and Diverse University Community Committed to Student Success

GOAL: *Attract, retain and graduate students who will serve as thought-provoking civic, educational and workforce leaders through blending services and curricular and co-curricular activities.*

- Focus on enrollment and recruitment efforts and establish a prioritization of geographic areas based on potential, ROI and other factors.
- Coordinate the implementation of admissions standards as adopted by the Board of Regents to ensure student pathways for success.
- Utilize recommendations from the Task Force to build upon Residential College success.
- Begin the planning process to ensure that every graduate completes an internship, service learning component, study abroad, practicum or clinical experience, research experience, other experiential learning opportunity or Quality Enhancement Plan Experience Rich Activity.
- Utilize the 60th Anniversary of Desegregation to promote our diversity successes as well as address potential concerns and issues.
- Further define strategies and tactics that will lead to increased retention, persistence and graduation rates.

Advancing Knowledge to Benefit Society by Fostering Research, Scholarship and Creative Activities

GOAL: *Foster a culture of intellectual inquiry between and among our faculty, students and staff that will provide ongoing and lasting benefits (economic, cultural and otherwise) for our region, Commonwealth and nation.*

- Work with the Provost and Deans to investigate and implement best practices and plans for promoting a culture of research, scholarship and creative activities which may include, but is not limited to, awards and recognition, funding, review processes, etc.
- Work with the Provost and Deans to ensure research, scholarly and creative activity are appropriately reflected in hiring, promotion and tenure decisions and annual reviews.

Improving the Quality of Life for our Communities through Engagement

GOAL: *Engage with our many communities to assist in the betterment of our society, create economic ventures, promote a sense of place and assist in the furtherance of the values of public higher education.*

- Based on a forthcoming economic development report, work with the appropriate agencies, organizations, constituents and leaders to further Murray State's ability to assist in the region's economic development strategies and outreach.
- Conduct an economic impact study.
- Expand partnerships with community colleges.
- Prepare for a bi-annual economic summit.

Miscellaneous:

- Conduct, and conclude, a national search for Provost and Vice President for Academic Affairs and assist in a national search for the new Dean of College of Humanities and Fine Arts.
- Oversee the implementation of the recommendations for enhanced Title IX Sexual Assault programs.
- Ensure that the strategic planning implementation process is being followed.
- Prepare and execute a legislative plan and agenda for the forthcoming legislative session.

Dr. Thornton indicated the key items presented to advance knowledge to benefit society by fostering research, scholarship and creative activities are appropriate. Advancing the institution in this area is important and represents the essence of any university in terms of intellectual pursuit. Dr. Jacobs stated that having spent a lot of time on the residential college concept, it is good to see the President explicitly indicate he will focus on the recommendations provided by the Residential College Task Force. Mr. Schooley inquired as to how the new Honors College will be advanced and Dr. Robertson reported that he and Honors College Executive Director Warren Edminster visited Arkansas State and Baylor to review the residential college system at those universities. A visit to the University of Tennessee-Chattanooga has also been scheduled. A great deal of research is being undertaken to determine what is being done successfully at other schools that have stand-alone honors colleges, as well as those with honors floors and wings throughout an entire facility. The residential component of the Honors College is developing nicely and will be ready for implementation for Fall 2016. As honors students are being recruited they are informed that being a member of the Honors College will have an associated live-in component. The process is currently underway to hire another staff person to serve as Program Coordinator for the Honors College. Dr. Davies reported that out of the Commonwealth Honors Academy (CHA) class this year 29 additional student participants made the decision to attend Murray State due to the Honors College. This summer the Governor's Scholars Program is being hosted on campus and efforts were greatly enhanced to market the Honors College concept to these students without overstepping the University's bounds in this regard. Confirmation was provided that the Honors College has already been integrated within new recruitment materials and the incoming group of students was surveyed and revealed there is sufficient interest to fill at least three floors of the new Franklin College.

Agreement was reached that overall the *President's Work Plan for Strategic Priorities* is balanced and very well done. There is nothing contained within the document that needs to be deleted and there are no additional priorities which need to be added.

Strategic Planning Update, received

Drs. Todd, Jackson and Fister reported the following:

- The Board was presented with the printed Strategic Plan for Murray State University for 2015-2022 and appreciation was expressed to Branding, Marketing and Communication for their assistance in designing and producing the publication.
- The strategies previously presented are not included in the printed copy of the Strategic Plan because they will change over time. The strategies are available through myGate to provide guidance to all faculty and staff as they work collaboratively in this fiscal year of implementation.
- The President hosted a Strategic Advance approximately one month ago that was attended by 30 professors, administrators and staff. This involved a thorough afternoon of discussion and represented a wonderful way to kick off the Strategic Plan (approved by the Board in June 2015) and to begin the implementation stage of this work.
- Since the Strategic Advance the Deans have held meetings with their own departments and the Provost has personally met with the 34 department Chairs and all are in implementation mode and the process is moving forward.
- Appreciation was expressed to Dr. Davies for his leadership throughout this process. One year ago development of a Strategic Plan was at the top of his list as he began his presidency at the University. The Strategic Plan represents a great road map for the next seven years at Murray State.
- A "Thoughts for Strategic Implementation" document was provided to the Board which outlines a framework of work currently underway. All facilitators are working within their groups and a matrix was provided to illustrate those parties responsible for various components of the Strategic Plan. The lead person is responsible for getting the team together – calling in others as necessary – to set baselines if they do not currently exist and work on deadlines. The Executive Committee will meet monthly to ensure the process is proceeding on track and the facilitators will meet on September 2 with a due date of October 1 for the first update of their particular measure within the Strategic Plan. The facilitators may be in contact with other members of the University community for help in documenting the work that is associated with a specific metric. The work involved to achieve each measure will require collaboration from all University constituencies.
- The Executive Committee will then come together to review different aspects of what has been submitted. This same format will be utilized through the next deadline schedule of February 1 and May 2, 2016. The President will deliver an address at the end of April or beginning of May about what has been done over the past year and areas where the institution has been successful and the Board will be provided with an update at the June meeting. Updates can also be provided to the Board as requested throughout this process. The President will deliver the State-of-the-University Address on November 9, 2015, with the goal of having some updates available at that time.

- Individuals have reviewed the Strategic Plan and formulated their own strategic initiatives, especially in the Department of History and the *AJBCOB*, and this is encouraging. All of the colleges have worked to proceed in this fashion. People are excited and are offering their support for the Strategic Plan and this is necessary in order for it to be successful. This represents an aspirational plan with goals that can certainly help this great university move forward.
- A Performance Cloud program will be utilized, with assistance from Dr. Wezner, to assist with data collection and making various documents easily accessible to all involved in this work.
- Board members were encouraged to contact any member of the Executive Committee or President Davies should they have a question about any aspect of the Strategic Plan or the implementation process.

Chair Waterfield expressed appreciation to the Executive Committee and the facilitators for keeping the planning process on track and he expects this to continue as the implementation of the Strategic Plan is advanced. Dr. Davies has worked with Ms. Dudley to identify one-time funding (seed capital) that can be utilized as an incentive (matching funds) for ideas designed to advance the Strategic Plan. The idea is for the departments, colleges and units to utilize existing funding but if additional funding is needed to kick start a project, confirmation was provided that one-time money has been identified for this purpose.

Dr. Jacobs added there is a real sense of positive accountability for the Strategic Plan and the facilitators feel as though they are being supported. This represents an aspirational process and he thanked the President and the Executive Committee for taking the lead on strategic planning efforts for Murray State University.

Economic Impact Study/Economic Development Reports, discussed

Dr. Davies indicated a report was provided to the Board regarding economic development activities that are currently underway. The goal is for the University to continue to expand the number of economic development projects it supports. Dr. Todd reported that two University units focus solely on economic development – the Small Business Development Center (SBDC) and the Kentucky Innovation Network (KIN). The Office of Regional Outreach also focuses somewhat on economic development. The Department of Economics and Finance has created a new Master's of Economic Development – the only such master's degree in the Commonwealth – which assists with the education and training of new economic development professionals. Intercollegiate Athletics and the CFSB Center are involved annually in hosting and bringing events to campus that significantly impact the economy of the University, the community and the surrounding region. In 2014-15 over 120 events were presented by Athletics and/or the CFSB Center and brought large numbers of consumers to campus. Those patrons impacted local restaurants, hotels, shopping centers, gas stations and the overall business community. It is estimated that over 200,000 individuals attended these events and, as a result, used their purchasing power to positively impact area economic development. Furthering economic development is a significant part of the new Strategic Plan moving forward over the next seven years. Dr. Davies added that the next reiteration of the Economic Development Report will include \$100 million in capital projects and an effort will be made to determine how much of that \$100 million was retained in the local area. The latest numbers provided indicate this figure is approximately 80 percent.

Dr. Todd reported that an Economic Impact Study is also being undertaken by the University because the last such study occurred about 13 years ago. The faculty member in charge of this work is Dr. Gil Mathis, former Chair of the Department of Economics and Finance, and a retired full Professor. Dr. Mathis was responsible for the methodology utilized in the first Economic Impact Study and there was a strong desire to involve him in this next study. This represents an extensive study that will take at least a year to complete. Dr. Mathis has already begun the study with a goal of having some work accomplished so information can be presented to the Board at the Advance next summer. It is believed all parameters associated with this work are achievable within this timeframe. This study will include student expenditures; events being held at the University and wages paid to faculty, staff and students and how many times that money turns over in the community. The study will not only focus on Murray and Calloway County but the 18 counties in west Kentucky. Dr. Davies added that the study will provide a valuable resource in addressing legislative affairs and other marketing objectives.

Staffing Updates, received

Dr. Davies reported the following staffing updates:

Interim Provost and Vice President for Academic Affairs

Dr. Todd is doing a wonderful job in the role of Interim Provost and Vice President for Academic Affairs and appreciation was expressed to him for stepping up to this challenge. A national search will be undertaken to fill this position on a permanent basis and a search firm will be engaged to direct this process. The University must ensure that the very best candidate is hired to fill this important position.

Interim Dean of the College of Humanities and Fine Arts

Dr. Staci Stone is currently serving as the Interim Dean of the College of Humanities and Fine Arts. A national search to fill this position on a permanent basis presents another opportunity to have a strong candidate pool for one of the University's largest colleges that serves all majors on campus. The search firm handling the Provost and Vice President for Academic Affairs search will also likely be asked to assist in the Dean of Humanities and Fine Arts search because certain elements of these two searches can be conducted at the same time. Once the selection process is underway the two searches will be separated by approximately 1½ months with the Provost appointment being accomplished first so that individual would be able to provide input for the deanship hire. Likewise, the new Dean would know who the Provost will be prior to accepting the position. These two searches will be conducted in tandem until final selections are made. There is a desire to identify the members of the two search committees within the next three to four weeks with the goal of having initial candidate interviews in January or February 2016, followed by on-campus interviews in March or April with the selection occurring shortly thereafter. The goal is to have these two positions filled and the successful candidates on campus starting July 1, 2016. Depending on how these two searches progress, it may be necessary to conduct a search for a new Dean of the *Arthur J. Bauernfeind College of Business*.

Vice President for Marketing and Outreach

Dr. Adrienne King was selected as the new Vice President for Marketing and Outreach, with an official hire date of September 1, 2015. In the time he has spent with Dr. King throughout the transition period, he continues to be impressed. All are pleased the University has been able to attract an individual who is a national figure in the marketing of universities. She is a prolific writer and has produced many articles dealing with branding and changing the image of a university. She has accomplished this work successfully twice and unsuccessfully once. The unsuccessful effort included making a recommendation to the President – which was not taken – because the individual wanted to do things their own way. Dr. King comes to Murray State from Idaho State University where she has done an amazing job branding that particular institution. Having experience with Idaho and knowing the challenges Idaho State University and public higher education in Idaho have, the results she has been able to achieve are amazing.

Dr. King reported the following:

- She is a passionate believer in higher education, is the daughter of a college Professor and her mother teaches marketing at a community college in West Virginia. She literally grew up in higher education and has known her entire life that this is the area in which she wants to work. She plotted out her educational career to be in this position by earning undergraduate degrees in graphic design and advertising public relations. She spent a few years as a marketing assistant at a commercial photography studio working with corporations on marketing plans and styling for photo shoots. She has always known in her heart that she belongs in higher education.
- She earned a master's degree in Integrated Marketing Communications from West Virginia University and after completing the master's degree taught for a few semesters but soon realized marketing was the direction she wanted to pursue. She earned a doctoral degree in record time and, against her dissertation advisor's advice, accepted a full-time position at the University of Charleston before completing her dissertation.
- She was hired to undertake a rebranding campaign at the University of Charleston and this represented one of her less successful career opportunities. The university undertook an entire rebranding campaign – working with the campus community, conducting market research and delivering a solid proposal – but at the end of the day the President decided not to use the tagline and message that was recommended. At the time she warned the President that his idea did not match with the brand value, what is being delivered by the University of Charleston or the experience

students would have at the university and this would eventually create an issue. He did not take her advice and after about a year and a half she decided philosophically she was struggling to work at a private institution.

- She grew up believing higher education is about access and it certainly represents the best investment she ever made. If students are willing to work hard enough to achieve a higher education degree they should have that opportunity.
- She became aware of a marketing position at West Virginia University Tech (WVU-Tech) and although she was not sure she wanted to leave the University of Charleston she did apply for the position and was the successful candidate. She was tasked with starting a marketing unit from the ground up. This particular campus had faced an enormous amount of challenges and had a major identity change as a part of West Virginia University – which offended many alumni. WVU-Tech previously did no advancement in terms of alumni or development and there was no communication for years with alumni. Enrollment was declining and the institution was facing hundreds of thousands of dollars in deferred maintenance issues. She and the new Enrollment Director – who was hired at about the same time – reviewed what the institution had been doing in terms of enrollment and recruitment and decided, although not a lot of resources were available, if they were strategic they could make something happen. In approximately three years she developed a strategic marketing plan for that campus while the Enrollment Director developed the appropriate recruitment territories. This work resulted in an approximate 50 percent increase in the freshman class and an overall 10 percent increase in enrollment, in three years, with no additional resource investment. As she was leaving the university they were preparing to make substantial resource investments and relocate the campus – which would alleviate many of the deferred maintenance issues. Her experience at this institution proved that something really magical can happen when marketing and recruitment work together. A lot can be done with little resources and she very much believes in new media, perhaps because she has always had limited resources and not enough budget or people to do what needs to be done and for this reason she is all about thinking outside of the box.
- As her dissertation was nearing completion she decided to leave WVU-Tech because it seemed like it was time for a new challenge. She and her husband had always wanted to live out West so she started applying for positions and interviewed in Nevada, Idaho and Washington and fell in love with the people in Pocatello, Idaho. Shortly after arriving in Idaho her father began having health issues and for the last year she has known that it was simply a matter of time before she would move back to this area.
- When she met with the Search Committee for this position she told the group she was not sure she was ready to leave Idaho yet because she absolutely loved her team and they had accomplished incredible things in record time. She developed the first-ever integrated marketing plan for that campus of 15,000 students, with four campuses across Idaho. The team was able to take a campus with 250 academic programs and unify them under one brand, one message and one campaign with very minimal initial investment on the part of the university. When she initially came on board at WVU-Tech she informed the Vice President that this work would take three to five years but it was actually accomplished in less than one year.
- She very much believes in collaboration and knows the success at WVU-Tech and Idaho State came from working with folks across campus because it takes everyone's buy-in for such a campaign to be successful. A brand is not what the marketing office says it is and her job is to help facilitate the story – meeting with faculty, staff, students, the Board, alumni and the community – to figure out what it is about Murray State that makes it so special and what differentiates it from other universities. In conducting market research her favorite exercise is to ask people to quickly give three words to describe the organization. One will receive both positive and negative words but that is okay because it needs to be known going into a rebranding campaign what the University's baseline is and the brand perception from the beginning. From this work brand attributes can be developed which represent those areas on which the foundation is built. This process will work because it is genuine and authentic and comes from the University's constituencies and represents their voice and reaction in terms of what Murray State means to them.
- When she started at Idaho State it was a daunting task trying to figure out how to take four campuses, 15,000 students and 250 academic programs, ranging from professional technical community college clear to post-doctoral research, and message those in a way everyone could relate to. At the end of the day, her students did this work for her. She conducted a series of focus groups and had 47 students out of 47 students give the same word consistently – opportunities – when they were asked to describe Idaho State. That word eventually turned into the tagline for the institution – discover opportunities – and is what an entire creative campaign was built around. The tagline is working because the data is there, the research was done upfront, input from the various constituency groups was received from the beginning and there was buy-in as the process was undertaken. She shared feedback received from the focus groups with everyone on campus and offered some initial proposals, explaining why those particular suggestions were being made. This work eventually began to take on a life of its own and she takes great pride in the fact that the campus is running with the idea presented at the time. Individual colleges are implementing the brand on their own through their marketing personnel and everyone is on board. Instead of going in a thousand different directions and competing against themselves all at that university are finally moving in one direction.

- This represents the process to be undertaken at Murray State and it is believed a timeframe of 12 months is reasonable to develop an integrated marketing campaign. She is a storyteller and her job is to take Murray State's story and formulate it for the institution. It is not her job to make the University's story but to find and tell the story. Every institution she has been employed by has been unique and every brand has been different – as it should be.
- The next six months will involve a great deal of research and she will be having conversations with as many people as possible; conducting focus groups with students; working with Mr. Dietz to reach high school counselors, teachers and principals and talking to prospective students and parents. She will be doing everything possible to get feedback in terms of what it is about Murray State that makes it so special. During her interview she kept hearing from individuals there is something about Murray State that is “homey” and something about this institution that is really special. Her experience from the time she came to campus to the time an announcement was made was extremely positive. Upon the announcement, she immediately received 34 emails congratulating her on this position and in her entire career she has never had that many people excited to get on board and work with her and she is excited to be a part of this effort.
- The first six months will involve a great deal of research and it will take approximately two months to produce results. Involvement with the marketing team is essential to help them understand how the data works and how it can be utilized to formulate a strategy. This will then be discussed with the Board, President and the Vice Presidents to allow for feedback. It will be then taken back to all constituency bodies that participated in the research to secure their thoughts. Ultimately, all must agree if enrollment is the number one concern, then that is the primary constituency the University wants to make sure it is reaching. From there, one, three and five-year strategies will be developed and each will have associated tactics to accomplish the identified strategies. This work will include traditional print publications to social media. This formula has worked successfully in the past and she believes, together with the team, she can make it work at Murray State.

Chair Waterfield welcomed Dr. King to the Murray State team and indicated all are looking forward to working with her.

New Student Freshman Profile Report, received

Dr. Wezner reported the following:

- A new student freshman profile survey has been conducted with Student Affairs. When registering for Summer Orientation students were asked to complete a 35-question online survey. The Board has been provided with an Executive Summary of the survey results.
- There were 673 respondents (46 percent response rate) and 64 percent are female and 38 percent are first-generation college students from 20 different states. The primary focus areas are Murray, Madisonville, Hopkinsville, Louisville, St. Louis and Memphis. The University is receiving a smaller number of students from Lexington and Cincinnati.
- Demographic information was collected and students were asked about their high school experience their senior year and what they expect from Murray State.
- A large percentage of the respondents were female and this is actually higher than the gender breakdown for Murray State's enrollment which is approximately 59 percent female. A large portion of the respondents represent first-generation college students which means neither parent completed a college degree of any sort.
- A review of ACT scores was undertaken, broken down by subscore and divided out by male and female. Similar to what is being seen nationally, male students tend to score slightly higher on the math subscore and female students are scoring higher on the English subscore (1.5 points on average) and the reading subscore (approximately 1 point on average). Female composite scores are also slightly higher than those for male students.
- Kentucky law requires the University to provide remediation if student subscores are below a certain level for English, math and reading. The total number of students requiring some form of remediation based on ACT subscores is 33.4 percent of respondents with ACT data. The area requiring the most remediation is math (21.8 percent), while reading and English are 19.1 percent and 12 percent, respectively. Of the students requiring remediation in any area, 44.9 percent require remediation in another area. Math is where most students will need remediation but English causes the most concern and represents the biggest potential limiter. Of those students requiring remediation in English, 85 percent also require remediation in at least one other area. These students will be taking more developmental courses, will require more support and may have more difficulty with some of the other courses they are taking before even beginning to take credit-bearing courses in English and math. The overall number of students requiring remediation has dropped slightly but the proportions have also changed.
- Students were asked how much time they spent on certain activities during the last year of high school and these included activities in preparation for school but also extracurricular activities in which they often engaged. On average students are spending between one to five hours preparing for school, with the exception for foreign language study and practice or rehearsal. It is surprising there are not many students studying a foreign language during their senior year of high school. Students are spending between one to five hours participating in co-curricular activities or volunteering and

between six to ten hours relaxing and socializing. It is also surprising that most students are not working for pay.

- Students were also asked how frequently they engaged in certain behaviors during the last year of high school. Students admitted to sometimes coming to class without completing readings or assignments, preparing two or more drafts of an assignment before submission, researching conclusions based on their own analysis of numerical information, using numerical information to examine a real-world issue, evaluating what others have concluded from numerical information, summarizing what was learned in class or from class materials, including diverse perspectives in course discussions or assignments and examining the strengths and weaknesses of their own views of a topic. Students indicated they often identified key information from reading assignments, reviewed notes after class and tried to understand another's view by imagining how an issue looks from their perspective. Other than coming to class unprepared, these represent positive behaviors and if students engage in those behaviors (sometimes or often) they would have a high likelihood of success.
- Students were also asked whether Murray State was their first choice for college and this turned out to overwhelmingly be the case (76 percent). The first reason they are choosing Murray State is because it is affordable and the second is that the University offers the degree they wanted to study. Students also indicated they were comfortable with the size of the campus and classes. Last year students indicated the most important reason for attending Murray State was the size of campus and classes.
- Of the respondents, 12 percent are currently undeclared. Of those who have declared majors, 113 different majors are represented, with STEM majors comprising 40 percent. When health is added (STEM-H) the percentage increases to 51 percent. The ten most popular majors include nursing, animal technology/veterinary technician/pre-vet, elementary education, psychology, agricultural science/agribusiness, animal technology/animal/equine, biology/pre-medical, music education/instrumental, business administration and undeclared. Three of the top ten majors are actually within the area of agriculture. The largest group of degrees conferred at the baccalaureate level are within the Bachelor of Integrated Studies but nursing, animal technology, business administration and elementary education complete the top five majors.
- Respondents were asked to predict how much time they anticipate spending on academic and extracurricular activities during their first year at Murray State. The good news is that students anticipate spending between six to ten hours per week preparing for class. They are not expecting to do foreign language study and this is surprising because Bachelor of Arts degrees require modern language study. Students are still planning to volunteer one to five hours per week and are anticipating relaxing and socializing for six to ten hours per week. The one number that changed significantly is students have indicated they anticipate working for pay and there is an even split between six to ten hours per week and 11 to 15 hours per week. This also represents an increase in hours from last year.
- Respondents were asked about positive behaviors they would engage in during their first year at Murray State. Students indicated they would never choose not to attend class (89 percent) or attend class without completing readings or assignments (84.25 percent) which means students plan to engage in positive behaviors which will help them be successful.
- Respondents were very positive about the likelihood of engaging in behavior linked to being successful in college, reporting they were somewhat or very certain for the positive academic behaviors of studying when there are more interesting things to do, finding additional information for course assignments when they do not understand the material, participating in course discussion, asking for help when struggling with assignments, finishing something they started when encountering challenges and staying positive even when they do poorly on a test or assignment. This represents a good marker in terms of whether these students will adjust to the increased requirements and challenges of college work compared to high school.
- Respondents were asked about common challenges, especially for first-year students, and students are saying that collegiate academic challenges will be little to somewhat difficult. With regard to potential social challenges, such as getting along with a roommate and not being homesick, students indicated they anticipate very few concerns. Aligned with the expectation that these students feel they will have to work, they do indicate paying college expenses will be either somewhat difficult (34.32 percent) or very difficult (34.6 percent), with nearly equal scores. This is interesting given the percentage of students who indicated they chose Murray State based on affordability.
- Most incoming freshmen (79.02 percent) expect to graduate within 4 to 4.5 years and 96.21 percent expect to graduate in 5.5 years or fewer. Most students anticipate taking 15 credit hours per semester (44.1 percent), with 97.64 percent indicating they anticipate attending Murray State full-time. Respondents predicted that most of their grades would be A's (44.28 percent) and B's (52.15 percent) in their first year. To put this into perspective, the national six-year graduation rate is only 57 percent. Murray State's current graduation rate is 52 percent and the University is one of the best in the state. This illustrates a gap between what the students are anticipating and what is likely to occur. In response to a question regarding whether the six-year graduation rate has decreased over time, Dr. Davies reported that when President Harry Truman established the Commission on Higher Education one of the issues he wanted to address was graduation rates because the six-year graduation rate at that time was 52 percent. It will be important to consider the gap between expectations and reality and how to better inform students. ACT scores are up slightly and this is encouraging. Students

indicated one reason they chose to attend Murray State is academic excellence. The goal is to have academic excellence be the number one reason why they choose this University.

Council on Postsecondary Education Metrics Report, received

Dr. Davies reported that discussion occurred earlier regarding the CPE working to establish metrics for their new Strategic Plan. Every year he is asked to provide a report to the CPE on how Murray State University is achieving or moving toward the goals set forth by that body. A spreadsheet was provided illustrating CPE goals and Murray State's progress toward meeting those goals. His presentation to the CPE will be in September and Chair Waterfield has agreed to attend the meeting with the President. This represents the first time in a long time the Chair of the Board of Regents and the President of the University will make a joint presentation to the CPE. This, in itself, makes a very strong statement. The goals and where Murray State stands in terms of meeting those goals are reflective of the 2013-14 academic year.

Dr. Wezner reported the following:

- On the metrics spreadsheet when there is a particular target if there is simply a dash this represents where the CPE changed their methodology partway through the reporting cycle and the targets are no longer appropriate.
- The University met its targets a couple of years ago in terms of STEM-H and online learning and that is why a gold star has been indicated. The University is up in terms of credits earned by degree, meaning the number is dropping, which is desirable.
- In terms of the externally funded research element and the bachelor's graduation rates, the University has made some progress in these areas. The master's degree graduation rate and total degrees conferred metrics are holding steady. There are some slight declines in the bachelor's degree graduation rate and transfer rates as well as for net direct cost. Net direct cost is the average net amount paid to Pell Grant recipients (total direct cost minus the amount of aid students receive). The CPE goal is for Pell Grant students to have more money than they need to attend college so they have extra to help provide for other needs.
- Where there is a yellow arrow or an arrow pointing slightly downward that does not mean the University's numbers were "bad." It simply means that compared to the baseline numbers did not go up at the same trajectory the CPE wanted those numbers to increase.

Dr. Davies indicated, with regard to total transfer students, numbers are actually up but the metric the University is being judged on is transfers specifically from Kentucky community colleges. Murray State's main feeder community colleges are the four located in close proximity to the University and currently these campuses are facing enrollment challenges. This makes it an interesting metric because transfer numbers from Illinois, Missouri and Tennessee are up but the metric being used by the CPE does not recognize these particular increases.

Academic Affairs College Updates, received

Dr. Todd reported the following:

- The new Strategic Plan will drive Academic Affairs over the next year. All Deans, Chairs and faculty are being educated on the components of the Plan and all are on board.
- In the School of Nursing and Health Professions, the first Bachelor of Science in Nursing to Doctor of Nursing Practice Nurse Practitioner students have graduated and the second cohort of Nurse Anesthetist students have been admitted. Murray State is the only university in the Commonwealth to offer a Nurse Anesthetist Program, working with the former Trover Clinic which is now Baptist Madisonville.
- In the *Arthur J. Bauernfeind College of Business*, following Board approval of the Strategic Plan, Interim Dean Gerry Muuka brought together the Chairs and leadership within the college to begin to revise the individual college plan. This new plan was voted on by the entire faculty two Fridays ago and has already been implemented. Dr. Muuka deserves a great deal of credit for moving this process along so quickly.
- With the assistance of Dr. Jackson; Stephen Crouch, Development Officer for the *AJBCOB* and David Durr, *Bauernfeind Distinguished Chair*, a Hilliard Lyons gift was leveraged and as one enters the front door of the business college there is now 20 feet of colored stock ticker. This provides a wonderful entry into the business college and gives students a sense of high finance.
- There are three upcoming accreditations this year and one of those is in the *AJBCOB* for the Department of Journalism and Mass Communication (JMC). That department is on a six-year accreditation cycle and the self-study has been underway for the past year. An Accreditation Team visit will occur in November and the adjudication process will be in the Spring. Bob Lochte, Chair and Professor, JMC, the faculty and Dr. Todd do not foresee any issues with this accreditation but that is never certain until the team actually arrives on campus. All will continue to strive to have a high percentage of University programs fully accredited.

- From the division of Regional Academic Outreach, Drs. Davies, Jackson and Todd and Dean Brian Van Horn have all been focused on assisting Madisonville Community College with securing funding for a new \$20 million postsecondary education building. When funded and built, this will provide Murray State with the exclusive right to offer bachelor's and master's degrees in that community. This work has been undertaken in conjunction with Madisonville Community College President Dr. Judy Rhoads and it has been a pleasure to be able to continue this wonderful working relationship.
- In the College of Education and Human Services, this November a program accreditation visit will occur for the Speech Language Pathology Program. Dean Dave Whaley and the college faculty and staff are focused on this accreditation process and the self-study has gone very well. No issues are foreseen in terms of this accreditation moving forward. Dean Whaley has also been elected as the new Vice Chair of the Educational Professional Standards Board in Kentucky.
- The new Dean of the University Libraries – Ashley Ireland – hit the ground running and has created some new online systems, one of which will be a campus-wide institutional repository. Work is currently underway with Dean Ireland and her staff to implement this new online system. Additional information on this initiative will be provided to the Board as the work continues throughout the year.
- Under the direction of Interim Dean of Humanities and Fine Arts – Dr. Staci Stone – the first cohort will begin in Summer 2016 for the doctorate in English Pedagogy and Technology which was recently approved by the Board. The recruitment of that cohort and the creation of programs, working with Dr. King as she comes on board, will ramp up during Fall 2015. This represents the only program of its kind within the United States.
- Dean of the *Jesse D. Jones College of Science, Engineering and Technology* – Dr. Steve Cobb – has been working with Mr. Burdette and Mr. Youngblood to address the various challenges that were shared earlier for the Biology and Chemistry buildings. Dr. Cobb's focus will be on continuing to facilitate and assist with the new engineering facility as it is constructed. The Accreditation Board for Engineering and Technology will also be on campus to conduct an accreditation visit for the Engineering and Physics Program. Dr. Cobb does not foresee any developing issues with regard to this accreditation process.
- The *Hutson School of Agriculture* recently completed the successful reaccreditation of the Veterinary Technology Program. The Equine Center is now being powered by the Bioburner and this represents a joint effort of the *AJBCOB*, *JCSET* and the *HSOA*. The project associated with heating the Equine Center goes back to Hopkins County and a company on Nebo Road in Madisonville. This company created and patented a unit called the Bioburner. Agricultural waste products (corn stalks, switchgrass and horse manure) are made into pellets and those are burned utilizing a particular process. This is eventually connected to heating ducts and water which provides heating to the Equine Center. *HSOA* students are initially involved in the Bioburner research, *JCSET* students are the ones taking velocity and energy readings and eventually *AJBCOB* students will be involved with marketing, branding and promotion. This represents a unique opportunity for faculty and students in those colleges.
- President Davies has been asked to consider changing Dr. Van Horn's title. He is currently Dean of Regional Academic Outreach and a request to change his title to Associate Provost for Regional Academic Outreach is being proposed because there is an argument to be made that what he does in the west Kentucky region goes beyond a Dean's role. One academic program is under Dr. Van Horn – so he is academically linked – but his regional focus must also be taken into consideration. In looking at peer institutions, at least three – Western Kentucky, Morehead and Tennessee Tech – have a different title for the person filling this role. Meetings have occurred with the other Deans and all have indicated they support the proposed change. There will be no additional monies involved and this represents a title change only. Dr. Davies indicated he will take this recommendation under consideration. Under the Delegation of Authority, when any change is made in regard to a Dean the administration must notify the Board of Regents and that is the purpose of the discussion today. A final decision with regard to this proposal will be made early next week but the change will likely be made. The Board indicated no objection to this proposal.

Dr. Davies thanked the Board for their time, attention to detail and the discussions which were held today. A lot of ground was covered but this has provided direction for the President and he appreciates everything Board members do for this institution.


Dr. Davies reported he just received an email indicating Murray State University has been recognized by *Washington Monthly* magazine as being a “Best Value for Tuition Dollars Spent” institution. Murray State is ranked 44th in the south among its peers and is the highest ranked public institution in the Commonwealth in terms of value. Only two other Kentucky universities were even ranked – at 70th and 80th.

As Chair of the Finance Committee, Mr. Williams indicated he would like to recognize Jackie Dudley for all the work that was demonstrated today. Anyone who has been involved in financial modeling knows undertaking one project is a significant chore and she presented several major financial remodeling exercises today. Ms. Dudley and her staff have done a tremendous job preparing for today's presentations. Chair Waterfield joined Mr. Williams in expressing appreciation to Ms. Dudley and her staff and reported the Board of Regents Ad Hoc Presidential Compensation Committee will have a brief meeting upon adjournment of the Board Advance. Any Regents wishing to remain for the meeting are welcome to do so.

Adjournment

The Murray State University Board of Regents Annual Advance adjourned at 4:05 p.m.


Chair


Secretary

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